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HYDRO ELECTRIC INQUIRY COMMISSION

CENTRAL ONTARIO SYSTEM

TORONTO, 1922.

W. C. Coo,
Official Reporter

HYDRO ELECTRIC INQUIRY COMMISSION.

Parliament Buildings,
Toronto, 28th November, 1922.

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HYDRO ELECTRIC INQUIRY COMMISSION

Parliament Buildings,

Toronto, 28th November, 1922.

C E N T R A L O N T A R I O.

PRESENT:

W. D. GREGORY,	Esq.,	CHAIRMAN
M. J. HANEY,	Esq.,	COMMISSIONER
LLOYD HARRIS,	Esq.,	"
J. A. ROSS,	Esq.,	"
R. A. ROSS,	Esq.,	"

J. H. W. BOWER, Esq., Secretary.

HON. J. D. REID (Examined)

THE CHAIRMAN: Q--Dr. Reid, what part did you have in the negotiations which took place for the sale of the Seymour Power interests to the Government of Ontario ?

A--Well, I don't think that I had anything to do with it, except that during the time they were negotiating, that is, the Ontario Government, or the Hydro-Electric Power Commission and the Seymour Power Company, they appeared at different times at Ottawa in order to get their water power settled.

Q--What did they want to have settled ? A--Their water power question. You see, there was a dispute which had been going on for a number of years between the Ontario Government and the Dominion Government as to who owned the water powers on the Trent Canal. The Dominion Government claimed they owned the water powers on the Trent Canal, and a number of years ago -- I don't know how many, probably 10 or 15 --

at all events the record will show, the Seymour Power Company got leases to several of the waterpowers.

COMMISSIONER HANEY: From the ?

A--From the Dominion Government, and there were some other powers th t they claimed they had the promise of, but the leases had never been executed, that is, between the Seymour Power Company and the Dominion Government.

THE CHAIRMAN: Q--Do you recollect what sites they were ?

A--I cannot without looking up the records, but I think there were two or three at least of the water powers the leases of which had not been granted by the Government that was in power previous to 1911.

Q--But had been promised ? A--The Seymour Power Company took that position.

Q--Was there anything on record to show ?

A--I think there was some corres pondence .

Q--You cannot say positively ? A--I would not like to say without the records, but the whole file is there, and I am sure the Department would let you have it, because there is nothing that is secret in it, but if I remember rightly my impression was that there was really some kind of an understanding that when the Government was ready to grant those leases the Seymour Power Company were to have them, and the Hydro-Electric Power Commission, I think representing the Ontario Government had, some time previous to my being Minister --

Q--I should have said you were Minister of Railways and Canals ? A--Yes.

Q--From what time ? A--From 1917 to 1922, but I think it was previous to my coming. At all events, there were some letters protesting against the Dominion Government granting any more leases to the Seymour Power Company.

Q--Mr. Pope, Secretary of the Hydro-Electric Power Company told us I think the other day that they had letters from the Government promising certain leases to them?

A--I am only speaking prior to our coming into power in 1911. The promises had been made to lease.

Q--Yes, to the Seymour people ? A--Yes. Well, then, the Hydro protested against the Dominion Government granting any more of those leases. They claimed that the Ontario Government owned them and had the right to lease them.

Q--I think Mr. Pope said that subsequent to 1911 letters were written then from Ottawa promising certain sites, 8 and 9 I think ? A--I think it was 8 and 9. That might have been prior to my becoming Minister, I cannot say without the file. It may have been, but I don't remember, I wouldn't remember without the file. There was an action entered in the Courts by the Ontario Government, if I remember rightly.

Q--To determine ? A--Who were the rightful owners. Well, those negotiations were going on, and then there was a very strong feeling that the water powers along the Trent, any that were not leased, should be developed by the Hydro-Electric Power Commission, and that they should be controlled by the Hydro-Electric Power Commission. For that reason, while I was Minister, I did not or would not agree to transfer or to lease the powers until they got this settled, and while the negotiations were going on, if I remember rightly, there were those representing the Seymour Power Company claiming they should have them, and the Hydro-Electric Power Commission claiming they should have them, and anything that I had to do was in endeavouring to get them to come together.

Q--The question of the ownership of those waterpowers had very little to do, had it, with the difference between the

Seymour people and the Hydro-Electric Power Commission?

A--Well, it would have quite an effect if the Dominion Government were to lease these powers, some of them to the Hydro-Electric Power Commission, and then let them in in oposition to the Seymour Company.

Q--That was the question, wasn't it ? It was a question as to who should get the water powers from you?

A--That was it, and then there was the strong feeling, of course, that it would bebetter instead of having that competition to have the Commission operate the whole thing.

Q--Why so ? A--I would not take any part, insofar as the leasing of the water powers was concerned, until they got together.

Q--But you were not Minister of Railways then ?

A--While I was Minister.

Q--Oh, long before that ? A--I was acting at different times, a good deal for two or three years before the late Mr. Cochrane vacated office, and I did come in in that way.

Q--Not in any other way at all ? A--No.

Q--Who approached you first, Dr. Reid about the difference between the Seymour Company and the Hydro-Electric Power Commission, and the desire of the Hydro to get into the Trent District ? A--Oh, I don't know that anybody approached me, I cannot say which one appeared there first.

Q--Did the Seymour people enter any protest against the Hydro being let in by you ? A--As far as I can remember, I think the Seymour Power Company protested against us leasing these water powers to any other than the Seymour Power Company You see, they claimed that as their right.

Q--They could claim it on a broader ground ?

A--I cannot remember that. I think the only point they raised with me was that these were their powers, that is, when the lease was granted it should be granted to them,

and my impression was, in looking over the file at the time, and from the way the matter was placed before me, that if the Dominion Government decided to grant the leases it should give them to the Seymour Power Company on account of the pledges that were made. If we had granted those to the Seymour Power Company, th se two, we would not be carrying out promises that had been made by our predecessors and, at the same time, it would have raised quite a strong feeling, a public feeling.

Q--So what steps did you take to settle the matter as to which one should have them ? A--Well, I just simply wrote them both, that they should get together, The Seymour Company were quite willing to sell, and the others wanted to buy. They were just as anxious to buy as the others were to sell, so I wrote them to try and get together and settle it.

Q--So if they settled their differences there would then be no objection to granting the power sites to the one that bought out the other ?

A--If the Seymour Power Company sold to the Hydro then we could easily enough have leased the powers to them, or to the Ontario Government. The Ontario Government were the ones we were dealing with, and if the Ontario Government were willing to let the Seymour Company operate in that district and withdraw their objection to these claims then there would be no objection to leasing the sites to the Seymour Power Company. That is the way I felt about it.

Q--You said they were negotiating for the sale. Why wasn't the sale carried out before it was ? A--Well, I don't know.

Q--Was there any difference in price ? A--Well, I don't know. Of course, there must have been a difference in price.

Q--That was the difficulty ? A--That, no doubt, would be the difficulty, why the delay occurred.

Q--Do you recollect what amount was offered by the Hydro ?

A--If I remember rightly, I think the Seymour Power Company were negotiating for a cash sale of that property and, if I remember rightly, there wasn't an awful lot of difference between them. At least there was a lot of difference between them, but it was settled some way by giving the Seymour Power Company the amount, by issuing short-term bonds. If they had made a cash sale at that time, as the negotiations were being carried on, of course, they could have reinvested their money and it would have meant a lot more to them. I think in the end the Sun Life got what money they put into it, but they made a big loss by not getting the cash.

Q--They were not taking long-term bonds ?

A--Yes, that was the first suggestion, long-term bonds, 50-year. I am only trusting to memory, I have not discussed this with anybody since that time, but if I remember rightly the Sun Life had a certain amount of money invested in that property.

Q--You have not spoken of the Sun Life before ?

A--When I say the Sun Life it is the Seymour Power Company. I thought it was the Sun Life that owned it. It was the Seymour Power Company, whoever that is, and they wanted the amountthey had invested in it, while the other parties would not pay that amount but quite a lot less. If they had got the money instead of the bonds at that time it would have meant an awful lot more by reinvesting the money at that time in 5, or 6 or 7 per cent bonds, so they settled it in that way, at least that was just the way I understood it at the time. I had not anything to do

with the negotiations at all at the time.

Q--As a matter of fact you were present when the negotiations were brought to a finish, right in this building?

A--In this building ?

Q--Yes. There is a memo. handed to us from the Hydro Electric Power Commission's files stating you were present one Saturday afternoon when the matter was finally agreed to?

A--I don't remember being at any final settlement of that kind.

Q--They mentioned you and Mr. Ferguson, Mr. Lynch Staunton, Sir Adam Beck and several others ?

A--I don't know that I was there on that particular occasion.

Q--And Mr. McGarry ? A--I may have been here at that meeting, but I was not here for any purpose of that kind.

Q--You understood you say that the matter was settled by them giving long-term bonds instead of making a cash payment?

A--Yes. If they had made the cash payment, as was understood at the time, at least that is what I underztood at the time, that the Seymour Power Company were selling it and the others were buying on the cash basis, but there was quite a diffdrence between them, and I understood that they gave them long-term bonds for about the amount they had in it.

Q--Do you recollect the rate of interest it was ?

A--No, it is a long time ago.

Q--When did the Sun Life people appear first on the scene?

A--When I say the Sun Life controlled it I don't know.

Q--They held the bonds ? A--Well, they held the bonds, but it was only their representative that I ever saw, the lawyer that represented them. I never had anything to do with any of them, none of them ever approached me. It was only their solicitor that appeared in Ottawa to see me as Minister, or Acting Minister.

Q--Do you recall how it was when, as you say, the agreement

was that they should take long-term bonds that they did not get long-term bonds but short-term bonds instead?

A--I never heard that they got any short-term bonds.

Q--We have here a copy of a letter from Sir Adam Beck recommending the purchase of 50-year bonds at 4 per cent with sinking fund after ten years, but we find that the bonds actually given were 10-year bonds. Can you explain how the change was brought about ?

A--I never knew before what length of term the bonds were. I understood they were to give long-term bonds, or take bonds instead.What interest were the bonds.

Q--What interest were the bonds ? A--Yes.

Q--Four per cent? A--10-year bonds ?

Q--Yes? A--Well, I never heard before. I understood they were to give long-term bonds instead of cash.

Q--Did you have any conversation with Sir Adam Beck yourself about the subject ? A--Well, if I remember rightly, Sir Adam when he would come to Ottawa would discuss this power question, and wanted leases of these powers, and those all came up at that time in that way.

Q--He saw you on several occasions ? A--Well, Sir Adam was often in Ottawa to see me. This power question would come up. It wasn't only that, but there was the Niagara Power question as well.

Q--Both up together there sometimes ? A--Yes.

Q--The Sun Life, or the Seymour and Sir Adam Beck ?

A--Well, there was only the one representative of the Seymour Power Company as far as I can remember, that ever spoke to me about it, that is their solicitor.

Q--Who was their solicitor,- Mr. Johnston ?

A--Mr. Johnston. I don't think anybody else ever spoke to me about it. It was about the powers, they were always at me about them, and I can't remember, but I

think Lynch Staunton would speak to me about it, and Sir Adam Beck. They would all com e in to see me about the powers.

Q--There was quite a competition going on between them?

A--Well, I don't know. Sir Adam wanted to get the powers, and so did the Seymour Power Company.

Q--Did you ever take the position that you would not give the Hydro-Electric Power Commission the powers unless they bought out the Seymour Power Company?

A--Oh, no, I never took that position so far as I can remember, I don't think so.

Q--Wasn't that the effect of it, that they should not have any powers unless these matters were settled with the Seymour people ? A--No, I cannot say that. The question, insofar as the powers were concerned, was before the Courts.

Q--Oh, yes, but the difference between the Seymour people and the Hydro-Electric Power Commission was not before the Courts? A--I hadn't anything to do with these differences, it was only the water powers.

Q--But they were competitors for those additional sites?

A--Well, yes. The Hydro, no doubt, wanted the whole Seymour Power Company, and the position I took with reference to those two powers was that, according to the files, there was the question of them having been promised to the Seymour Power Company.

Q--Mr. Pope says they were promised to the Hydro, too?

A--Well, I don't know.

Q--I suppose the files would show ? A--The files would show that.

Q--He said there were letters written but they were not followed up by an agreement ? A--Well, perhaps so. I cannot remember. I think that would be in Mr.Cochrane's

time, at least as far as I can remember.

Q--Did you ever suggest a price they should agree to pay the Seymour people? A--No, I don't think I did in any way, as far as I know. I suggested they should try and agree on a price as the Seymour Power Company wanted to sell and the others wanted to buy, but I had nothing to do with the price other than trying to get them together. I don't know how they agreed on it other than taking the long-term bonds.

Q--Did you have anything to do, Dr. Reid, with Sir Henry Drayton coming up here to arbitrate on the difference between the Hydro-Electric Power Commission and the Seymour people? A--I don't remember.

Q--As to what should be paid by the Hydro-Electric Power Commission for the Seymour property ?

A--Unless it was an Order in Council appointing him, of course, as a member of the Government I would, but I don't remember having anything to do with that, no. That must have been before my time.

Q--He came up here and began a hearing, but it did not proceed very far? A--I don't remember having anything to do with that at all, unless as a member of the Government, of course, when the Order-in-Council would be passed.

Q--When you did come up you came up as Acting Minister of Railways and Canals, you say ? A--If I came prior to being appointed Minister then, of course, I would be here as Acting Minister.

Q -The agreement between the parties is dated the 10th of March, 1916, and the meeting was held on the 4th of March preceding that ? A--Well, you see, I was not appointed Minister until 1917. If I remember rightly, the Honourable Mr. Cochrane was away in England. I know he was away for several months ill and I was acting a lot prior, and even when

he was here he was in the hospital, he wasn't well at all, so that the last couple of years of Mr. Cochrane's term I was acting a great deal for him. He would be away for a week or two at a time, and I looked after the Department a lot in that way. That is the reason I had a good deal to do with it.

Q--Dr. Reid, in the leases granted to the Seymour Power interests you had the right of cancellation, had you?

A--Well, I don't know. There were none guaranteed by me while I was Minister, so I would not recollect now about them. The Seymour Power Company got no leases while I was Minister or acting Minister.

Q--And you are not familiar with the terms of the leases that were in existence at that time? A--Not to the Seymour Power Company.

GEORGE H. LYNCH-STAUNTON (Examined)

THE CHAIRMAN: Q--You took some part in those negotiations, Mr. Staunton ? A--I cannot say that I took any part in the negotiations.

Q--What was your position ? A--Well, I think that, so far as I can recollect about it, Mr. Ferguson --

Q--Is that the Hon. Mr. Ferguson ? A--Yes, he was the Minister, and when those negotiations were going on I think, if I recollect correctly, - you know it is a good while ago -- that he asked me to come down and meet him regarding the purchase, but I was there simply as solicitor.

Q--For whom ? A--For Mr. Ferguson.

Q--For the Ontario Government ? A--For the Ontario Government, yes. And there was a meeting with Dr. Reid and Mr. Ferguson and I think Mr. Johnston -- I am not quite sure about his being there -- and myself, and Mr. Ferguson I think sent for Sir Adam Beck. Sir Adam Beck came there, and I think Mr. Johnston must have been there at that time, because then --

MR. STRACHAN JOHNSTON: I was not present when Sir Adam was present. I was present at the earlier part of the meeting.

WITNESS: Yes, I think that was it. We were then negotiating for the purchase of this property, whether it was about the price or what it was I am not sure, but my recollection now is, when Mr.Johnston calls my attention to it, that Mr.Ferguson, Mr.Johnston and Dr.Reid had talked it over for a while. This is only an impression, because I really don't remember whether Mr.Johnston made a price or not, but my impression is that he made a price for the purchase of this property, and then they sent for Sir Adam Beck.

Q--Why? A--Well, for Sir Adam Beck to approve of it as I recollect it, and then when he was there Mr. Ferguson asked Sir Adam if he were satisfied and approved of this purchase. He said that he did. Well, he said to him, I would like you to write us a letter to that effect, because I do not want to act without your approval. And then I think I drew up a little letter of approval, and this letter was sent in by the Hydro. Now, that is my recollection.

Q--This was at what time ? A--Oh, I don't remember the date.

Q--Do you remember what time of day it was ?

A--I do not. My idea is it would be in the morning, but I don't remember in the least.

Q--The memo. we have says it was in the afternoon, a Saturday afternoon? A--It was daylight, that is all I can remember.

Q--Yes, the 4th of March. The agreement was finally signed and dated the10th of March? A--I cannot recollect it at all. I cannot recollect whether it was the morning or afternoon. My impression is it was morning but I may be quite wrong.

Q--So you drew up the letter ? A--I think that I drafted a letter, a short letter.

Q--Mr. Ferguson said that they wanted Sir Adam Beck's approval of the purchase before making it, and then you drew up a letter ? A--No, I don't think that he did. I think he asked Sir Adam Beck if he approved of it, and I think Mr. Ferguson's idea was that he did not want the Government to purchase it without the approval of Sir Adam Beck. That was my impression.

Q--Then what was the object in your writing this letter for Sir Adam? A--You know they always keep records in those Departments of everything, so that it would be put on record.

Q--So that this approval of the purchase might be put on record? A--That is my impression. It was a mere formal letter.

Q--Yes. Here is a letter that we find on the files, dated the 4th of March, 1916, addressed to the Hon. G. Howard Ferguson, Minister of Lands, Forests & Mines, Parliament Buildings, Toronto. It reads as follows:

> "Referring to the Electric Power Company's interests in the Trent District, I would recommend that the Government offer the Electric Power Company, including all interests controlled by it, for all their physical assets, (excluding the accounts receivable and payable) franchises, rights, interests, contracts, works, etc. as they existed on March 1st, 1916, and as added to since that date, the sum of $8,350,000 in 4 per cent Government Bonds interest payable half-yearly. Bonds redeemable in fifty years, such bonds shall provide for the deferring of the sinking fund for the first ten years."

A--I cannot say whether that is the form of the letter that I drew.

Q--The memo that we find in the Hydro's files says "A letter was drawn up tentatively by Mr. Staunton in writing, and which Mr. Gaby was instructed to have typed".

A--I think that is correct, but whether that is the letter or not is a matter that I would not like to confirm or deny, because I cannot remember.

Q--If that is not the exactletter would those be substantially the terms, do you recall that? A--Well, I really don't know, I thought it was $8,000,000. I thought it was $8,000,000, but I don't remember that.

Q--$8,350,000 it says here? A--It may be right, I don't remember that. I know I afterwards drew the Bill for

Mr. Ferguson to put through the Legislature.

Q--Confirming the sale ? A--Confirming the sale,yes. I drew the Bill, I remember that quite distinctly. Whether I drew the agreement, now I don't remember that either, but I drew the Bill.

Q--What else took place at this meeting of which you speak ? Was the letter signed there by Sir Adam?

A--My idea was that it was not. My idea was that it went back to the Hydro office and was sent from there. I don't remember Sir Adam signing it, he may have. I don't know that he signed the draft that I drew. I thought he took it back to his office.

Q--It says here, Mr. Staunton, that Mr. Gaby was instructed to have it copied ? A--Perhaps that was it, I wrote it in longhand.

Q--Yes, Mr. Gaby was instructed to have it typed.

HON. MR. FERGUSON: It was typed and signed right there, brought back and signed right there.

WITNESS: Well, I don't recollect that he took it away and brought it back. Perhaps he did. I know that he did sign the letter, I know that. Now, then, probably it was signed in my presence, because I know he sent the letter. I think it was Saturday afternoon, that is right. My recollection is there was no stenographer available, and Mr. Gaby took it down to the Hydro offices and brought it back.

THE CHAIRMAN: That is according to the Hydro memo.?

A--I think that is quite correct.

Q--It doesn't say so that Mr. Gaby brought it back.

HON. MR. FERGUSON: Someone brought it back, I think that is right.

THE CHAIRMAN: Q--Do you recall who were present at that meeting beside yourself and Mr. Ferguson ?

A--Well, my impression is Mr. Ferguson,Mr. Johnston, Dr.Reid,

Sir Adam Beck and myself. I don't recollect Mr. Gaby being present at all.

Q--Mr. Gaby, it says, was sent for ?

A--Well, I don't know of Mr. Gaby being present at all.

COMMISSIONER HANEY: There were evidently two meetings, the meeting between yourself without Sir Adam and a meeting afterwards when he was sent for?

A--I know I was there at a meeting before Sir Adam arrived.

Q--Then Mr. Johnston withdrew, as I understand it ?

A--That may be quite right. He says so, and I assume it is quite right even if he says so.

THE CHAIRMAN: I think we will have to accept Mr. Johnston's statement. Was any decision arrived at at the meeting prior to Sir Adam Beck's coming there ?

A--I think it all turned on Sir Adam Beck's approval, if I recollect. I think they were satisfied if Sir Adam Beck was.

MR. JOHNSTON: I was not satisfied .

A--Well, I think Mr. Johnston outwardly appeared to be reluctant. I don't know whether externally he was reluctant or not.

THE CHAIRMAN: Q--How do you account for the change that while this letter states that the bonds should be 50-year 4 per cent bonds the agreement provides that they shall be 10-year 4 per cent bonds ?

A--Well, I never knew until your representatiwe told me that there had been any change. I never had anything to do with it after the Act was drawn.

MR. HANEY: Q--Would it be in the Act 10 years or 50 years?

A--I don't remember what the Act provides for now.

HON. MR. FERGUSON: The Act confirms the agreement.

THE CHAIRMAN: Yes, I think so.

WITNESS: I knew of no change in the terms. I don't think I was in any way consulted.

Q--I think you said just now that you might have drawn the agreement. You are not sure who drew the agreement?

A--Yes.

Q--If you drew the agreement would you probably have an impression as to the reason for the difference between that and the letter ?

A--I really, Mr. Chairman, do not recollect anything about a change.

THE CHAIRMAN: Mr. Johnston, Mr. Staunton didn't draw the agreement, did he ?

MR. JOHNSTON: No, I drew the agreement.

MR. HANEY: That accounts for the change, I suppose.

WITNESS: Well, I don't know whether I drew it or not. I thought perhaps I did because I was acting for Mr.Ferguson, but I don't know anything about it.

THE CHAIRMAN: Q--Did you have anything to do with any conferences as to the price, with any of the parties, prior to this time? A--Well, I really don't remember whether I did or not.

Q--Do you recall what price the Hydro themselves had offered the Seymour people prior to this ? A--No, I can't.

Q--Could you go so far as to say they had made an offer but it was for a less amount ? A--Indeed not. My impression was that I had never heard of any price from the Hydro till this time.

Q--Did Sir Adam Beck raise any objection to signing that letter at the time? A--Not that I remember in the least.

Q--To yourknowledge, had any pressure been brought by the Dominion Government to bring about the sale of the Seymour interest to the Hydro? A--Not to my recollection.

Q--In your negotiations with them was anything said as to their attitude ? A--I never negotiated with the Dominion Government that I recall regarding the purchase of this property.

Q--Your negotiations or interviews with the Dominion Government would be in connection with that action that was brought on? A -Yes.

Q--By the way, what became of that action ?

A--Well, that action went on to issue, and then the Deputy Minister of Justice at Ottawa, Mr. Newcombe, and I negotiated for a long while to settle the action, and eventually Sir William Hearst and I -- I don't know whether Mr.Ferguson was with us or not -- but at all events Sir William Hearst and I went to Ottawa, and we made a settlement of the action. Mr. Ferguson might have been in it, but I don't recollect that he was.

Q--Sir William Hearst became Prime Minister at the end of 1914.

HON. MR. FERGUSON: I was there.

WITNESS: As I say, we went to Ottawa. I had taken the position, for the Ontario Government, that the Ontario Government were the exclusive owners of all the waters in the province in navigable streams and lakes, and Mr. Newcombe eventually agreed that our position was correct, and then we made a proposition to them that all the waters that they took from the --

THE CHAIRMAN: The Trent ?

A--No, from the public rivers and lakes for canal purposes should be allowed to be taken free, that all the surplus waters that they sold to power users, they should account for to the Province. That is to say, we would have a 50-50 divide, they having made it available by their canals and we providing the water. We considered that fair. This agreement was put in writing and was settled by the Minister of Justice, the Minister of Railways and Canals, and Mr. Ferguson and Sir William Hearst acting for the Province, and we eventually arrived at the form of the Order-in-Council that was to be drawn

and the agreement, and I have never been able to get the Minister of Justice to put that through Council, and it has been lying there ever since.

Q--So the action is still pending ? A--Oh, it is still pending. I have written a report to Mr. Drury and one to Mr. Raney which, I think, is substantially what I have told you now.

Q--Did you have anything to do with any negotiations between the Seymour people and the Hydro after that meeting at the Parliament Buildings ? A--Nothing that I can remember of at all.

Q--You considered the matter as settled at that time, that they would take it over at that figure and on those terms?

A--I was sure/it was.

Q--You were sure that they were taking it over on the terms of that letter from Sir Adam Beck ?

A--I thought that that was the end of it.

Q--And you never had anything to do with any change in it subsequent to that date ? A--None whatever except to draw that Act. I see I didn't draw the agreement but I did draw the Act.

COMMISSIONER R. A. ROSS: Q--In the agreement between the two Governments with reference to the waters of the Trent the Dominion Government still retained in its possession the rights to fix the rates for power ?

A--Yes, they had the right, but they must allow the Province, or its nominee to take the water --

HON. MR. FERGUSON: The whole thing, Mr. Chairman, is set out in the memorandum.

THE CHAIRMAN: Was the memorandum ever signed ?

WITNESS: It was agreed upon, the Department of Railways and Canals agreed upon it.

DR. REID: It was never agreed upon because, as a member

of the Council I would never have agreed to it, and since then there has been a decision of the Courts that we were right in the position taken, that is, insofar as the Trent is concerned.

SENATOR STAUNTON: There never was any decision, as far as I can remember.

DR. REID: It was never signed, that is why.

MR. JOHNSTON: All you have to do is to read it.

THE CHAIRMAN: You mean the Government has never paid half over to the Provincial Government?

DR. REID: Never.

WITNESS: Dr. Reid may say so, but I have been negotiating with the Dominion Government and they never told me that. This is the first time I ever heard of it. Neither he nor anybody else ever told me.

HON. MR. FERGUSON: At any rate, it got as far as Council, and that is where it was blocked, but the memo. is in the Department files down there at Ottawa, it is available in the Railway Department.

COMMISSIONER R. A. ROSS: I suppose that agreement would be to the effect that the Province had the right to the water.

DR. REID: To half the water.

WITNESS: That is the agreement anyway.

THE CHAIRMAN: Q--You say you drafted that Act that was passed by the Legislature, Mr. Staunton?

A--Yes, I am quite sure I drafted it.

Q--Well, how was it, if you drafted the Act which provides that the bonds shall be 10-year bonds instead of 50-year bonds, in effect, because the agreement so provides, that you did not raise the question? A--I simply drafted the Act.

HON. MR. FERGUSON: It would not be any of his business, he was acting as solicitor.

WITNESS: Under the instructions of Mr. Ferguson, that is all I did, but I know I drafted the Act. I have no

hesitation in saying I drafted the Act under Mr.Ferguson's instructions.

THE CHAIRMAN: Q--You don't remember this question being raised at all ?

A--No, I do not, and, apparently, I simply drafted the Act to confirm the agreement, but I think I started the Act that very day.

COMMISSIONER HANEY: Q--Senator, in connection with the properties of the Seymour Power Company the Nipissing was included, I presume ?

A--I don't recollect that.

Q--But that was part of their property ? A--You mean this thing --

Q--At North Bay? A--I don't remember what the properties included at all.

Q--You have no knowledge of the schedule, or anything of that kind ? A--I may have had at the time but I haven't now.

THE CHAIRMAN: Q--Did you understand the letter which you wrote or drafted for Sir Adam Beck to sign to include all the properties of the Seymour Power Company ?

A--I don't know. I wasn't aware of all the properties. Whether it included all the properties of the company or not I don't remember.

Q--Did you know that the Commission had had an inventory made of these properties, and a valuation made ?

A--I think I did. I think I knew that they had one, I knew it either before or since.

Q--And did you understand the letter which you wrote to cover the properties which were included in their inventory?

A--I understood the letter to cover the properties they talked about that day, but what those properties were I don't remember. I don't remember whether any question

was ever raised about this Nipissing matter in my presence.

Q--Was it raised ? A--Whether it was in or whether it was out , and I don't know what it is now.

Q--You have not heard before now that it ever had been raised? A--Only your representative telling me the other day. I don't know whether it is or what it is.

COMMISSIONER HANEY: The letter only refers to the properties on the Trent System.

THE CHAIRMAN: The Hydro-Electric Power Commission contended that the letter covered all the properties of the Seymour Power Company.

A--Well, upon my word, I don't know whether they did or whether they didn't.

Q--Did Sir Adam Beck ever speak to you about the change in the terms of the bonds ?

A--I don't know that anybody ever talked to me about any changes made in the agreement until, as I say, your representative told me a couple of days ago.

STRACHAN JOHNSTON (Examined)

THE CHAIRMAN: Q--Mr. Johnston, do you remember this interesting event of the meeting up at the Parliament Buildings?

A--Perfectly, so far as I was concerned.

Q--What do you remember about it?

A--When I was present there was Mr. Ferguson, Dr. Reid and Senator Staunton. They were all trying to induce me to sell the properties of the Electric Power Company.

Q--I should have said you were President of the Electric Power Company ? A--Yes, but I was really acting as Counsel although I was President and had been for a short time.

Q--They were all inducing you to sell ? A--Yes.

Q--I thought you wanted to sell ? A--Who told you that ?

Q--Well, that is the impression I gathered from what I have heard about it, but it was just a difference in price.

A--Well, of course, you would sell anything, Mr. Chairman, for your proper price.

Q--What took place at this preliminary meeting? On what grounds were you asked to sell ?

A--They told me that the Hydro wanted to get into that territory.

Q--It could not get in unless the Dominion Government gave it leases on the Trent? A--No, or unless it expropriated some of our properties or rights.

Q--What interest had the Dominion Government in the question as to whether you should sell or not ?

A--I don't know that the Dominion Government had any interest at all.

Q--Dr. Reid was there ? A--I didn't send for him.

Q--But he represented the Department of Railways and Canals, apparently ? A--I suppose he did.

Q--And did he urge you to sell ? A--I think my recollec-

tion is he joined in the chorus, yes.

COMMISSIONER HANEY: Q--It was a quartette then ?

A--Well, no, it was only a trio, I was the audience.

HON. MR. FERGUSON: Mr. Chairman, may I suggest you get the earlier history of where Sir Adam Beck first went to Mr. Cochrane, that is where it first started ?

THE CHAIRMAN: We will be pleased to hear all about that Mr. Ferguson.

HON. MR. FERGUSON: I think it will give you a clearer vision of the whole situation.

DR. REID: It all started prior to my being Minister.

WITNESS: A long time prior.

HON. MR. FERGUSON: It was just after Mr. Cochrane went to Ottawa in 1911.

A--Yes.

THE CHAIRMAN: Q--Well, tell us, Mr. Johnston?

A--Well, you know, Mr. Chairman, if I were to start to tell you the story after six or seven years we would be here for a long time. Don't you think you had better ask me questions?

Q--There are so many of these things that I know very little about and that you know all about. I think, perhaps, the best way to get along would be for you to tell your story, and if you haven't made it plain we can ask you questions?

A--I will try and make it short. In 1911, that was shortly after the Conservative Government was returned to power and Mr. Cochrane became Minister of Railways and Canals, a deputation from Eastern Ontario went to Ottawa, and requested or demanded that leases of some of the undeveloped water-powers should be given to the Hydro-Electric Power Commission.

Let me tell you this, by way of preamble: That when Mr. George Graham was Minister of Railw ys and Canals he encouraged the interests, which we will call the Electric Power interests, to go into that country and to develop the

powers on the Trent River.

Q--What was the nature of the encouragement ?

A--The position was this: The Dominion Government had determined somewhere about 1906 or 1907 to go on with the Trent Valley Canal, and to complete the canal. The Trent Canal had been a canal for a great many years before Confederation, and under the British North America Act all the Trent River was vested in the Dominion Government as a canal. If you are interested in following that up you can find that that is the decision of Sir Walter Cassels in the case of King and Kilbourn, reported in the Exchequer Court Reports seven years ago. Mr. Graham was aware of the Dominion title, and he was aware of the law regarding riparian rights which had been brought to his attention.

Under the Expropriation Act of the Dominion Act it is provided that any waterpower created by any Dominion work shall be the property of the Dominion, and that these waterpowers may be leased or sold by the Minister under Order-in-Council, but it is also provided that no such lease or sale shall prejudice or affect the rights of any riparian order . As you know, sir, being a lawyer, the title to waterpowers, or the right to use waters, has nothing to do with the bed of the stream, it is just as the word indicates, it is the riparian rights. The owners of the banks are the people who have the right to use the water.

The projectors of the Electric Power Company acquired the riparian rights along the Trent River wherever there was a waterpower to be developed, and, consequently, they were the people who were entitled to the waterpowers, and they were the people entitled to leases from the Dominion Government because, as I say, the Expropriation Act says that no lease or sale should affect the right of any riparian owner therefore, the riparian owners were entitled to the use of

the water.

Now, Mr. Graham is on record in Hansard in several places regarding these waterpowers, and the desirability of giving them to this one company.

Q--In what year is that? A--That would be before 1911. I happen to have a private memorandum of my own here, and I observe that sometime before 1911, because this memorandum was prepared in 1911,- I shall quote from Mr. Graham, as follows:

"There has been no secrecy at all about what is being done along the Trent Valley in regard to power. The situation being developed along the new canal is peculiar. The power has been owned by different individuals at various points along the route. The construction of the canal and the conservation of the water has added thousands of horsepower to that already existing. The Department of Railways, as announced to Parliament, has acted on the principle that the men or companies to whom this power belonged for years should have the first right to secure the additional power.

This policy was not only fair to them, but it was better for the Government than to take away these valuable powers from the owners.

With all these powers in various hands, there would have been comparatively little development, and the country would have been deprived of the benefits which ought to accrue from this increase in power.

I have no hesitation at all in taking full responsibility for advising that the only way to get power at the best price for the public was through one strong company getting control of the power and distributing it through Central Ontario, which has been

"crying for it for years."

Q--That is from an address delivered in the House of Commons? A--I think so.

Q--What is this memorandum ? A--That is a private memorandum of my own for some clients.

On the 17th of April, 1906, the Hydro-Electric Power Commission made a report, signed by the Hon. Adam Beck as Chairman, in which he says:

"In the upper Trent district numerous waterpowers exist, and these have been developed, and doubtless will be still further developed as local demands require, until all the waterpower available will be fully in use, but, owingto the location of these waterpowers, they do not require concerted action on a large scale, and can be safely left to local enterprise, safeguarded as to rates by such regulations with respect to the selling price as your Honour in Council may deem advisable to enact.

In the lower Trent district, however, and along the north shore of Lake Ontario, the condition exists that there is an industrial demand which can be supplied from undeveloped waterpowers of considerable capacity located considerable distances from the industrial centres referred to. Concerted action appears to be vital to the success of any undertaking aiming at the development of these waterpowers and the supplying of the electrical energy generated to the industrial centres requiring it. The waterpowers are held, as already mentioned, by varied interests, but should several developments and distribution systems, each of smaller size, be undertaken, the total cost will be increased, and the larger unified transmission scheme outlined by your Commissioners will be rendered

"more expensive and possibly prevent it ever being carried into effect.

By combining several of these waterpowers in one undertaking, connecting them in parallel to one transmission system, and operating under one administration, only such expenditure need be made as the demand from year to year warranted; " and so on

Q--Is this a Memorial from the Hydro-Electric Power Commission ? A--That is, I think, the very first report.

Q--To whom ? A-- To the Lieutenant Governor-in-Council,

Q--What is the date of that ? A--That is the 17th of April, 1906, and on April 17th, 1906, there is a report of the Engineer of the Commission in which he says:

"At the present time it would not be necessary to develop all these waterpowers, but as the demands for electric power increase, these waterpowers could be developed one by one, all being worked in unison and under one management. This district would appear to be one in which united management with one set of transmission lines to the various towns would be far more economical than would be the case if several companies were to takeup the various waterpowers and develop and transmit the power independently."

That was the policy on which the Electric Power Company and its predecessors were proceeding. They were encouraged by the Minister of Railways and Canals, and they were encouraged, I think, by the Hydro-Electric Commission that they would get all the waters --

COMMISSIONER HANEY: Q--Is the inference from that report in your mind that the Hydro-Electric Power Commission were advocating the policy that was being adopted by your company, or were they projecting their own Hydro into that district? A--They were not, in my opinion, projecting it

at that time, that was 1906. They showed no desire at that time to enter that district. I assume they knew what was going on, and I don't think at that time the Hydro had any thought whatever of of going into Eastern Ontario. I thought the best thing to do was to leave it where it was.

THE CHAIRMAN: There are similarities in the view expressed by Sir Adam Beck and those of Mr. Graham .

A--That being so, we got terribly suspicious, and in 1911, immediately after the Conservative Government was returned, this deputation went to Ottawa.

Q--Which deputation? A--A deputation from Eastern Ontario.

Q--From the municipalities ? A--I think so. I think my impression is that the City of Peterboro provided most of the features. At any rate, we heard of it and put on record our contention, that we were entitled as a matter of law to those waterpowers, they were ours, we were the riparian owners.

Q--You were the riparian owners where the Hydro wished to locate ? A--Wherever there was a fall of water we acquired the riparian rights and we asked to interview the Government, and some time, I think it was in December of 1911 I went down with some of my clients. Senator Staunton was there and Sir Adam Beck representing the Hydro, and they made a strong claim for Dams 4 and 8.

DR. REID: Mr. Cochrane was Minister at that time; it was to him, was it ?

A--No, we secured an appointment. Sir Robert Borden was there, Mr. Cochrane and Mr. Doherty . I am disposed to think you were there yourself, Dr. Reid.

DR. REID: I may have been.

A--However, we had quite a formidable representation from the Cabinet, and we argued the point. I am positive I convinced Sir Robert Borden that we were right, because at any rate the Hydro did not get leases.

THE CHAIRMAN: Q--This deputation that had gone down asked that they be granted to the Hydro ? A--Yes.

Q--And you went down to oppose that application ?

A--We went down afterwards. We heard that this deputation had been there.

COMMISSIONER HANEY: Q--By whom would this deputation have been inspired, their own initiative ?

A--I have no idea.

HON. MR. FERGUSON: The feeling was very strong in Peterboro to get control of the situation municipally ?

A--I think that is right. However, there was this strong feeling, there is no doubt about it, in Eastern Ontario in favour of the Hydro at that time, although I must say there never was any complaint from any of our customers that we were not serving them fairly and properly and that our rates were not entirely satisfactory.

COMMISSIONER J. A. ROSS: That was in 1911 ?

A--Or at any other time.

Q--There was a strong feeling for the Hydro in 1911?

A--There was a strong feeling for the Hydro in 1911.

THE CHAIRMAN: Q--What was the next step ?

A--Well, from that time forward there were constant efforts on the part of the people in Eastern Ontario, and perhaps the Hydro, to get into the district.

The next thing that happened -- I am only picking out the high spots -- was the effort of the City of Peterboro to get away from its agreement with the Peterboro Light & Power Company, which was a company controlled by the Electric Power Company, and which owned the distribution system in the city of Peterboro. That legislation, I think, appears in 1912-13-14 or thereabouts. The result was that the City of Peterboro finally secured legislation enabling it to take over the property of the Peterboro Light & Power

Company without paying anything for loss of profit, or prospective profits, or by reason of the fact that we had an agreement, or by reason of the fact that that part of our property was severed from the rest of our property.

Q--Did you oppose it ? A--We opposed it bitterly. We opposed it as hard as we could.

COMMISSIONER R. A. ROSS: Q--Wasn't that a ~~xxxxxx~~ condition of your agreement with the city ?

A--Oh, no.

Q--That was new legislation? A--That was new legislation. There was a provision in the agreement that if at any time, by reason of legislation municipalities should have the right to take over and operate the plant it should pay us nothing for loss of profits, but that never contemplated joint legislation. It contemplated some change in the Municipal Act --

THE CHAIRMAN: You had the local distributing plant ?

A--Yes, we had the local distributing plant, and it was a profitable plant. We went to arbitration, Mr. Ross. All we got out of it was $160,000 odd for a plant that was netting us over $50,000 a day.

Q--Was it taken over on a physical valuation ?

A--Substantially, yes. The arbitrators, of course, were bound by the Act. They could not give anything for going value. That carried us on to 1912-13-14, and all this time, if my recollection serves me right, efforts were being made at Ottawa to obtain some of these properties.

Q--Get some of the developed properties? A--Undeveloped, and you can at once appreciate, Mr. Chairman, the position we would have been in. We went into that country thinking we were going to have a monopoly subject to the Dominion Railw Act. This just comes to my mind now, in pursuance of Mr. Graham's policy : He passed an amendment to the Dominion

Railway Act providing for application by all these companies holding leases of Dominion powers, or submission rather of their scale of rates to the Board of Railway Commissioners, and when he introduced that amendment to the Railway Act in the House he stated that that was having regard to the Trent System and the development that was going on there, but as I say, you can appreciate our position. We had gone into that country thinking, and having reasonto think that we were going to have a monopoly, and we found ourselves right up against the possibility of serious competition with the Hydro.

THE CHAIRMAN: Q--Wasn't your company a good deal of the dog in the manger ? You had the riparian rights ?

A--We were perfectly willing to develop if we got the leases, we would have developed them. We were asking for these leases all the time steadily, and we were ready to develop.

Q--Had you been promised the leases at any time?

A--Oh, promised them by Mr. Graham, there is no doubt about that, every lease on the River.

Q--By letter ? A--I don't recollect any letter, but bear in mind, Mr. Chairman, we had rights there.

Q--You had the riparian rights ? A--And we had the Expropriation Act which said that no lease or sale should affect the right of any riparian owner. There is only one way we could be affected and that was by expropriation under some Ontario Legislation by the Hydro, and that was a real danger. As I say, we went along in that way, the Hydro trying to get the leases, and I think occasionally shifting its application to one for leases of Dams 8 and 9.

Q--Where you had the riparian rights? A--Where we had the riparian rights, yes.

Q--In the meantime, were any negotiations going on between

your company and the Hydro ? A--I don't think there were any negotiations going on with the Hydro until probably the end of 1914 when the Hydro asked -- this is only a matter of recollection -- for some particulars as to our properties. I have no doubt that will all be in the Hydro records .

Q--They made a valuation ? A--I understand they did.

Q--With your consent ? A--Oh, absolutely with our consent.

Q--You knew it was going on. Did you assist them in it ?

A--I don't know that we assisted them. We certainly had no objection to their looking at our plants.

Q--Did they go as far at that time as to make any offer to you ? A--I have a very clear recollection of an offer made by Sir Adam Beck, and I think Mr. Gaby was with him, but that would hot be, as near as I can place it, until some time,- when was that arbitration before Sir Henry Drayton?

HON. MR. FERGUSON: In December, 1915.

A--Well, the offer that I refer to would probably have been made about midsummer of 1915.

THE CHAIRMAN: 15th December, 1915.

A--Yes, that was when Sir Henry Drayton came up. I was going to say, I should think the offer that they made -- it was a verbal offer -- would be sometime about the middle of 1915.

Q--And what was that offer ? A--$7,200,000, that is my recollection.

Q--Are you sure they offered you as much as that ?

A--Yes, at any rate it was discussed.

Q--Payable in cash? A--Nothing was said about anything but cash.

COMMISSIONER R. A. ROSS: How did they arrive at that amount?

A--I don't know.

COMMISSIONER HANEY: Q--Did that include the Nipissing

System? A--I don't think it did, I don't remember, but I know there was an offer of $7,200,000, a verbal offer, nothing in writing, and I had the impression and have the impression still that Sir Adam Beck, in Mr. Gaby's presence -- You have notes, I see, Mr. Chairman .

THE CHAIRMAN: I do not know who makes those notes that I referred to just now, I have nothing on this ?

A--You know nothing on that point ?

Q--Nothing at all. A--At any rate, that price was suggested to me. I think an offer was made and I refused it.

Q--You are not sure whether it was said to be in cash or in bonds ? A--There was no mention of bonds.

Q--And you assumed it would be in cash ?

A--I assumed it would be in cash.

COMMISSIONER R. A. ROSS: Q--Did you assume that that was merely a bluff offer on the spur of the moment ?

A--I would assume that any offer that was made was an honest bona fide offer, Mr. Ross. Why should I consider it a bluff ?

Q--Sometimes a man will make a tentative offer like that just to try you out ? A--It might have been.

COMMISSIONER J. A. ROSS: Or to turn it down, Mr. Johnston ?

A--It wasn't enough.

THE CHAIRMAN: Had you seen their valuations ?

A--I don't know, I don't remember.

Q--You saw them at some time, did you not ?

A--I think I did, I am not sure about that.

COMMISSIONER J. A. ROSS: Was the Hydro pressure at Ottawa very great at that time ?

A--I think the pressure was constantly mounting, Mr.Ross.

THE CHAIRMAN: Q--By both parties ?

A--No.

Q--The Hydro pressing in one direction and you in the other? Perhaps Dr. Reid would know better about that?

A--I took the ground always those were our powers.

Q--You opposed the application ? A--Yes, Senator Staunton to the contrary, notwithstanding the course they held I was right, that that was a Dominion stream and that the Provincial Government did not own the bed of the river, and they don't.

HON. MR. FERGUSON: Q--Mr. Cochrane was pressing you all the time ?

A--Mr. Cochrane was all the time saying to me Why don't you get together with those people, you ought to sell out.

THE CHAIRMAN: Q--What did you say ?

A--Ultimately I said we were prepared to sell for a fair price.

COMMISSIONER J. A. ROSS: It is a question of price, and not any pressure that you felt might have been made at Ottawa ? A--Of course, it was a question of price.

Q--But if the pressure had been a little greater at Ottawa the price might have looked right ?

A--Well, I don't know. I tried to make myself perfectly clear, we were not anxious to get out, we were quite content with our investment.

THE CHAIRMAN: Q--You say you were quite content with your investment. What dividends were you paying then?

A--We were not paying any dividends.

Q--Had you any outstanding bonds, then ?

A--Oh, there were, taking it altogether, over $9,000,000 of bonds outstanding in March 1916.

Q--Were your annual receipts greater than your expenditures ? A--You see, it was still in the construction period more or less.

Q--I mean down to 1914. I might say from the statement made to us it would appear that you were losing money in that year ? A--Yes, in 1914 ?

Q--Yes. A--Well, I don't know how that statement would be made up. That was not the way the matter was presented to me by the auditors of the company.

Q--Did your books show a surplus ?

A--I don't remember now, I think they did.

Q--However, you paid no dividends ? A--We paid no dividends.

Q--What about the interest on your bonds ?

A--Always paid.

Q--Was it ever in default ? A--I don't think it was ever in default.

Q--Are you sure ? A--I don't think so.

Q--Somebody told us the other day that they were in default? A--I don't think so.

Q--Your books will show that ? A--I haven't got the books.

Q--Where are they ? A--The books ? I don't know where they are. Haven't the Hydro got the books ?

Q--They say not. They say you never gave them over to them ? A--P. S. ROSS & Sons, were the auditors.

COMMISSIONER R. A. ROSS: Was the company wound up finally ?

A--What happened, Mr. Ross, was this, that after the transaction with the Ontario Government was culminated we were in this position that we had not sufficient assets, by a long way, to pay our debts. One of our bondholders held substantially all the bonds. There were some outstanding bonds not held by that bondholder.

THE CHAIRMAN: Who was that ?

A--Is that a matter of interest in this Commission?

Q--Yes it is. A--Why ?

Q--Is it the Sun Life ? A--Excuse me, Mr. Chairman.

Q--It has been referred to here by different witnesses as being the Sun Life Company, the bondholder.

A--I want you to protect me in the matter. I am glad to come here and give you any information. I occupied the position of Solicitor, and I venture to submit that it does not really make any difference to this Commission as to who was the individual bondholder that I referred to.

Q--It has been referred to continually, I think it is notorious. I would not desire you, for a moment, to say or do anything which you would not feel free to do, as Solicitor. You were President of the Company, and as President of the company you must have had full knowledge of its securities and of its liabilities, and who held them.

A--I see this is all being taken down.

Q--It has been taken down for days? A--I think it is very wrong then that the investment of a private person, or a private company should be given publicity. I submit that it does not help or assist the inquiry at all.

COMMISSIONER R. A. ROSS: Q--Mr. Johnston, it has been a matter of common knowledge for years, everyone knew who held the bonds of the company. I don't see that it matters.

THE CHAIRMAN: It has been referred to by different witnesses here continuously ?

A--Well, that may be so.

Q--However, the bonds were held -- A--The bonds were held by a large investor, and that large investor agreed with the Electric Power Company, after the transaction with the Province of Ontario, very shortly, to pay all the debts of the company in consideration of receiving the Ontario Government bonds.

Q--That was after this agreement ? A--Yes, that was after the agreement.

Q--How much was paid for those bonds ? A--When they were issued ?

Q--Yes. A--For the most part, I think they were

issued at 85; some of them might have been issued higher.

Q--What period did they cover ? A--I have forgotten. I think, perhaps, they were 30-year bonds.

Q--Do you recall what rate of interest they bore ?

A--I think, for the most part, 5 per cent. I think it was very cheap financing, excellent financing.

Q--The rate of interest would depend upon the term of the bonds ? A--To some extent.

Q--The discount was 15 per cent, you say ?

A--No, 5 per cent.

Q--They gave 85, I thought ? A--Oh, yes, the discount was 15 per cent.

Q--Where did all the money that was advanced by this bondholder go to ? A--It went into the property.

Q--Are you sure of that? A--Certainly, what do you mean?

Q--Because the inventories that were prepared at the time show an investment that was less than would be received from those bonds ? A--I don't know anything about that, but I do know that the moneys were properly spent and that no moneys were improperly diverted.

Q--Did any share of it go to the stockholders, any share of the moneys obtained from the sale of the bonds ?

A--I don't think so.

COMMISSIONER R. A. ROSS: When did you become President, Mr. Johnston ?

A--I think sometime in 1915.

Q--What official connection had you with the company before that time ? A--I was Counsel for the company, Solicitor.

Q--So that you probably would not know ? A--Oh, no, I was intimately connected with the company. As a matter of fact, I was Director of some of these companies from 1911 on.

Q--That was from the commencement merely ? A--Well, I did

not organize the company. I came in after the Electric Power Company was organized.

Q--So that from 1911 then you would be able to say that you knew how this money was spent and where it was invested ?

A--Well, I would not say that I knew exactly how it was spent, no, but I attended meetings of Directors from time to time.

Q--Of some of the companies ? A--Yes.

THE CHAIRMAN: Q--Was a good deal of this money paid over by the parent company to the subsidiary companies ?

A- The parent company guaranteed the bonds of those subsidiaries, and the money was paid over to the subsidiaries to be expended in their particular plants.

Q--Did these subsidiary companies pay considerable dividends? A--No, no dividends were ever paid.

COMMISSIONER R. A. ROSS: Q--The subsidiary companies had been formed some time before the holding company was formed?

A--Oh, yes, Mr. Ross, some of them were formed, I fancy, before this scheme was ever projected. Take a company like the Northumberland Pulp & Paper Company. There was a company which paid its preferred dividends.

Q--What company was that ? A--The Northumberland Pulp & Paper Company, the Otonabee Company.

Q--You mentioned just now, Mr. Johnston, that the Otonabee Company made large profits ?

A--It did.

Q--That was a subsidiary company, was it not ?

A--It made considerable profits, and it may have paid some dividends, I am not sure .

Q--You cannot account for the difference between the money advanced by the bondholders and the physical valuation of the properties? A--No, I cannot account for it,

except that the valuation was probably too low. The valuation was probably made with the intention of bearing the property.

Q--Had you an inventory yourself of the value of your various properties ? A--I have no doubt.

Q--It is strange that these things should have disappeared. The Hydro took over a number of contracts, matters relating to which must have appeared amongst the records, yet they say they never received the books?

A--I don't know. The books would probably be found some place.

Q--Yes, we would like to see those books ? A--I will inquire. There was a staff here that would know where the books are. Mr. Robertson was the General-Manager. Mr. Colville is over in London, England. I can make some inquiries.

Q--Who was the Secretary, Mr. Johnston ? A--I think Mr. Colville was the Secretary.

Q--And the books of the subsidiary companies, would they be held by the parent company the Electrical Company ?

A--I don't know, I am not quite sure about that; they might have been, I don't know.

COMMISSIONER R. A. ROSS: Q--Was there ever a final winding up of the company? A--No, nothing but what I have told you.

Q--So it is still in existence officially ?

A--The company is still technically in existence.

Q--What they took over was the physical properties ?

A--We sold just our physical property to the Government.

Q--And retained your liquids ? A--We retained our liquids, and then, as I tell you, we handed over all our assets to this chief bondholder, the chief bondholder

agreeing to pay the debts and obligations of the company and, of course, there wasn't enough for the stockholders, there wasn't enough to pay the debts.

Q--Did the stockholders lose all the money they had ever put into it ? A--Yes.

Q--Which they ever put into it? A--Yes.

Q--Who were the auditors, Mr. Johnston ?

A--P. S. Ross & Sons, of Montreal.

Q--Might they have the books ? A--They might.

Q--Have you any of the auditors reports ? A--No, I don't think so.

COMMISSIONER J. A. ROSS: Is this a Provincial Company or Federal ?

A--I think the Electric Company was a Provincial Company.

Q--In that case their reports would all be filed here, would they not ? A--Yes, but they never made any reports.

Q--Up to the time of 1914 ? A--Yes, up to 1916.

THE CHAIRMAN: Q--Mr. Johnston, what was the amount of the paid-up stock ?

A--Of the Electric Power Company ?

A--Yes? A--I think it was four million dollars.

Q--For which no consideration -- A--That was virtually water, and these riparian rights that were acquired.

Q--I suppose they got those at very small cost ?

A--I don't remember, that was before I came into it, Mr. Chairman.

Q--Your books would show what they paid for them ?

A--Certainly the books would show. I have no doubtthe books were properly kept. They were audited by P. S. Ross & Sons, of Montreal, a very reputable firm of auditors.

Q--And no dividends were ever paid on any of the stock of the company? A--No dividends were ever paid on the Electric Power Company's stock. I have no doubt there

were dividends on the Otonabee preferred stock.

Q--But the Otonabee preferred stock would be held by the holding company, wouldn't it? A--It was not, and it was subsequently acquired and held in Peterboro.

Q--Well, how did the holders of stock of these small companies, some of which were very profitable, come out on this deal? A--The stock in all the small companies was really held by the Electric Power Company, except this preferred stock in the Otonabee, and, as I say, the stockholders of the Electric Power Company got nothing, so probably the stockholders of the subsidiaries got nothing.

Q--A very sad state of affairs? A--It was very sad.

Q--It is a wonder you were able to get anybody to take over so unprofitable an undertaking?

A--Who said it was unprofitable ?

Q--In justice to the stockholders ? A--The company was in course of construction. If the company had been left alone it would have been a profitable company. Will you allow me to ask this question? Supposing you have a monopoly of water power in any well settled district where there is a demand for power --

Q--Which you haven't got ? A--Why ?

Q--In order to make those riparian rights of any value you would have to get the consent of the Dominion Government to take the water from the Government, and that you didn't get, and the Hydro were opposed to giving it to you, and between you pressing for it on the one hand, and the Hydro objecting to your getting it on the other the result was no one got it.

A--I don't seem to impress upon you the fact that we had, to a large extent, the rights, that we had a large amount of power developed, and that we had what I say were unimpeachable rights to the rest of the power.

Q--But the final step to make those riparian rights of any

value to you had not been taken by the Government, they had not given you a lease of the water. The Government could have cancelled those rights at any time?

A--You don't suppose, Mr. Gregory, that a Government is going to encourage people to invest millions of money and then cancel their rights without compensation?

Q--I have heard it advocated sometimes. Youwere in that position, you had not an assurance ?

A--Mr. Gregory, I had just as good an assurance as could have been obtained. The Ontario Government has granted leases for large timber limits, and the party obtaining a timber limit is entitled to, under the law, his License from year to year. That sort of thing is done on the good faith of Governments and we were relying on the good faith of Governments.

DR. REID: Some of your leases were in perpetuity ?

A--If we had been left alone it wouldhave turned out to be a valuable property, in my opinion.

DR. REID: Most of your leases were in perpetuity.

THE CHAIRMAN: Q--Had you profitable contracts with power consumers ?

A--My impression and recollection is we were doing first rate. We were quite satisfied that if we were allowed to go on we would make it a very profitable company.

Q--Mr. Johnston, perhaps there was something more you were going to deal with before leading up to this meeting?

A--I think we broke up. It was some time in 1915. I think we were discussing the offer of Sir Adam Beck to pay $7,200,000. Mr. Cochrane was, no doubt, pressing us to sell out. I suppose he, like everybody else, knew that this was only a field for one concern, and sometime before December, 1915, or thereabouts, he sent for me and I went and saw him in Ottawa, and he then told me that he had

Sir Adam Beck's promise on behalf of the Hydro to buy us out at a price to be fixed by Sir Henry Drayton.

Q--He had what ? A--He had Sir Adam Beck's promise. Perhaps you will letme refresh my memory by returning to that report of the proceedings before Sir Henry Drayton. This is interesting. I observe Sir Adam Beck here in these proceedings before Sir Henry Drayton says:

"Excuse me, I made you an offer of a million more than I said we would make or that I would make today."

I just notice that going down. Mr. Ross wanted to know whether the $7,200,000 mentioned was a real offer of whether it was only a bluff.

THE CHAIRMAN: He doesn't say that that was the offer. There is nothing to show the amount of the offer?

A--Oh, no.

Q--If he offered $7,200,000 it would mean that he offered $8,000,000 something lateron, if that were correct, that is, if he was referring to the offer which you referred to, Mr. Johnston ? A--I suppose so.

Q--He mentioned, in several instances, that he had made several fair offers but they were not accepted. He does not say what they amounted to. What did he offer you at the time of this meeting of Sir Henry Drayton's ? A--He didn't offer me anything.

Q--Don't you recall some one offer that he made to you ?

A--No, I don't. I thought there was some reference to some communications between Mr. Cochrane and Sir Adam in those proceedings but I don't notice them. At any rate, that is what Mr. Cochrane told me.

Q--What was it he told you ? A--He told me that Sir Adam Beck was willing to arbitrate on the price to be paid to us for all our interests.

Q--And that he would pay you the price fixed by the

arbitrator ? A--Yes, that was the und retanding between Mr. Cochrane and myself. Mind you I had no negotiation with Sir Adam about that, Mr. Cochrane was the intermediary.

Q--Well, then, what happened to prevent that being carried out? A--It is on record here, Sir Henry Drayton came to Toronto.

Q--To fix the price ? A--That is what I thought he was to do, to fix the price, as there had been no definite agreement signed by either party or binding on the Hydro. I suggested that Sir Henry Drayton should settle the form of submission, and then immediately it appeared from the attitude taken by Mr. Ferguson and Mr. McGarry, and Sir Adam Beck himself, that they were not prepared to go into an arbitration on that basis that I had discussed with Mr. Cochrane at all.

Q--But the arbitration would be not what the Hydro would pay but what the Ontario Government would pay ?

A--No, that was to be the Hydro.

Q--Oh, the Government had not been considered at that time?

A--I had not been dealing with the Government at that time, that was the Hydro, what the Hydro were to pay.

Q--How could the Hydro take it over ? It could work only through the municipalities, couldn't it ?

A--They would have no difficulty, I suppose, in getting the consent of the municipalities at that time; they wouldn't have the slightest difficulty in getting the consent of the Municipalities.

Q--And then have it validated by legislation ?

A--That might be necessary.

Q--Because the municipalities could not have operated pulp mills, flour mills and street railways through the Hydro at that time ? A--That was the agreement at any rate, that the Hydro were to take us over. If any

legislation was necessary they would have to get it, of course.

Q--This proposed arbitration by Sir Henry Drayton fell through for what reason ? A--Because the Hydro would not agree to be bound.

Q--By his award ? A--By his award.

Q--What was the next step? A--That was in December of 1915. Well, I think the Hydro still were going on asking for the leases, and I think we were, particularly Dams 8 and 9, and the next thing, perhaps, of moment was when I was called up here one day to Meet Mr. Ferguson, Senator Lynch Staunton and Dr. Reid.

Q--That would be Saturday, the 4th of March ?

A--I expect that would be the day. I only had one interview where Dr.Reid was present.

Q--That would be two and a half months after this arbitration. Did anything take place in the meantime ?

A--As I say I have no doubt we were trying to get the leases, and I have no doubt the Hydro were trying to get the leases too.

Q--But when did the Ontario Government come forward as a purchaser, or proposed purchaser , at whose suggestion ?

A--After the arbitration fell through, I made it quite clear, I think, to Mr. Ferguson, and I think before leaving this building, that I wouldn't have any further dealings with the Hydro?

Q--Why? A--Because I felt I could not safely deal with them. I wasn't going to deal with the Hydro on the basis that Sir Adam proposed, let us have a valuation and we will then take it or leave it. I was willing to enter into a binding arbitration them, a binding agreement to submit to arbitration the price to be paid by the Hydro for our property and to be received by us, but not into a heads you win tails I lose agreement, and I declined to have any more negotiations with the Hydro.

Q--And did you make any suggestion yourself as to what course should be followed in connection with the matter ?

A--No.

Q--To bring about a solution of those difficulties ?

A--I did not.

HON. MR. FERGUSON: After this occurred there were more or less negotiations going on for some time, and then the question came up and we said, well, the Government have got to pay for it, we have got to furnish the money, and we will buy it.

THE CHAIRMAN : Who said that, Mr. Ferguson ?

HON. MR. FERGUSON: I think it indicates in that report, Mr. Chairman, that Mr. McGarry and I were present, the Government was prepared to carry out the recommendation of the Hydro, especially in view of the fact that it would be the Government in any event that would buy the plant and furnish the money. I remember I made a long speech about it setting forth the position of the Government. This is what I stated before Sir Henry Drayton:

> "The Hydro-Electric Commission and the Government of Ontario are in a position that is very different from an ordinary individual, as you will understand, Sir Henry. Whatever is done by the Hydro or the Government on this line has to be accepted by certain municipalities, We cannot say that the municipalities are going to accept; and if we were bound to accept as final and purchase on the basis of any valuation, we might find that the municipalities would say 'we won't take the power and we won't pay the price', and we would have on our hands then a property which to us would be valueless in one sense. That is to say a property that we would not be able to handle."

MR. JOHNSTON: There is no doubt, Mr. Chairman, I had a number of interviews with Mr. Ferguson until finally this meeting took place in the Minister's room when Mr.Ferguson, Lynch Staunton and Dr. Reid were present.

Q--Just describe what took place there when you were present ? A--Someone, I am inclined to think it was Senator Staunton, was endeavouring to show me how vulnerable our position was. I was not ignorant of the fact that legislation might be passed in the Province of Ontario to give the Hydro Commission power if they had not already the power to take our riparian rights. That would have been a very simple thing to do, at any rate.

Q--Was there any question as to whether they had the power to take your riparian rights ? A--I don't think that question was raised. I was always satisfied, in my own mind, that if the Hydro didn't have power under the legislation in existence at that time the Ontario Government could give them power, by legislation, and that was one of the things that frightened us. I was apprehensive that that could take place, and you see it would have been a very simple thing to take our riparian rights at Ranney's Falls, expropriate them, and then start in to compete with us.

Q--Why didn't they do that ? A--I don't know. I suppose they wanted to be fair. It would have been a very improper and unfair thing to have done, Mr. Gregory, under all the circumstances that I have related to you, a very improper thing. Mr. Ferguson -- we had quite a long talk -- finally said to me that he thought he could recommend an offer of $8,000,000 in 50-year 4 per cent bonds. I declined it. I told him that wouldn't begin to pay our debts. Later he got up to $8,350,000 fifty-year 4 per cent bonds. I said I didn't think that would do, that I was not familiar with the prices at which such securities could be sold, but I was satisfied in my own mind -- I knew something about the

rates of interest that were prevailing in 1916, when they were high -- that 50-year 4 per cent bonds were not worth anything like par. I said I wanted to look into the matter, but on that date I declined and said I would not accept them. Now, that is the first day that I saw Mr. Ferguson, Dr. Reid and Mr. Lynch Staunton. You say that was on the 4th.

Q--Saturday the 4th of March, apparently.

A--Probably it was. I saw Mr. Ferguson again several days after that.

Q--Did you know there was to be a meeting with Sir Adam Back following the meeting with you that day? A--I don't think I did. I did not see Sir Adam Beck or have any conversation with him.

Q--You were not negotiating with him at that time?

A--I would not negotiate with him. I got some information after the 4th. You say it was on the 4th. I got some information as to the market value of Provincial bonds, and I found that a 50-year 4 per cent bond wasn't worth anything like par.

Q--How much? A--Oh, I have forgotten the figure. I know I got that information because I sent it to Mr.Ferguson or telephoned to him about it. I don't know whether I wrote him a letter.

HON. MR. FERGUSON: There were a lot of telephone communications ?

A--And that information came from the Department of Insurance at Ottawa.

THE CHAIRMAN: Q--The information as to the value of the bonds?

A--Of bonds, and from the Dominion Securities Company here in Toronto. They have those statements showing the value. At any rate it was quite plainthat $8,350,000 in 50-year 4 per cent Province of Ontario bonds was not worth anything like $8,350,000. I saw Mr. Ferguson again several days

after that, it might have been the 7th or 8th, and Mr. Ferguson finally said that he would recommend $8,350,000 50-year 4½ per cent bonds, which I think I said I was prepared to recommend. Mr. Ferguson and I were then discussing only the properties in the Trent District. There was nothing else up to that time discussed between him and I.

Q--You think it was just the Trent Valley that was being discussed between you; did Mr. Ferguson have that idea ?

A--I think you will have to ask him that, but I think so, I am quite sure that is all that we were discussing. After that interview, whether it was on the same date or not, I don't know, although I am inclined to think it was a subsequent date, Mr. Ferguson rang me up and he told me that he had Sir Adam Beck's approval to his dealing with us. I never saw the letter and the terms of the approval. I don't think I ever heard them until your letter was read today, but he said that Sir Adam Beck intended to include the Nipissing.

Q--Did he say Sir Adam Beck approved of the 50-year 4½ per cent bonds ? A--I don't know what specifically he approved, but he intimated to me that he was consulting with Sir Adam Beck as to the transaction.

Q--You said just now that he had stated he would recommend the raising from 4 per cent to 4½ per cent?

A--I don't know whether Sir Adam Beck was consulted about that or not, I don't know anything about that. We then saw Mr. Ferguson again.

Q--Who is "We"? A--Mr. Macauley. I am not quite sure whether Mr. Macauley was present at the interview before Mr. Ferguson told me about Sir Adam's letter or not, but at any rate when Mr. Ferguson told us that he would have to get the Nipissing property as well then we negotiated the matter anew, and he reduced the term of bonds from 50-year bonds to 10-year bonds.

Q--Who did that ? A--Mr. Ferguson, and we agreed to throw in the Nipissing property. We put in the Nipissing property to get the reduction in the term of the bonds from 50 years to 10 years.

COMMISSIONER HANEY: Q--You also reduced the interest rate from 4½ to 4 per cent ?

A--Yes.

HON. MR. FERGUSON: Q--Mr. Johnston, was that a tentative suggestion or an offer, do you recall? You just said that I was prepared to recommend ?

A--I think you said you were prepared to recommend it, but there is no doubt about it, it was discussed, 4½ per cent.Q-Evidently it was a matter of negotiation?

A--It was a matter of negotiation, and we finally reached the conclusion, as I have told you.

THE CHAIRMAN: Q--So the only change made in the original offer, which was $8,350,000 at 4 per cent, was to reduce the term from 50 years to 10 years ?

A--So far as the figures are concerned, yes.

HON. MR. FERGUSON: And putting in the Nipissing System?

A--Only so far as the figures are concerned. That first offer, Mr. Gregory, did not include the Nipissing.

THE CHAIRMAN: Q--Of course, Sir Adam Beck says it always did include the Nipissing.

A--I don't care what Sir Adam Beck says.

COMMISSIONER HANEY: Q--What were you going to do with Nipissing if you sold out the other powers ?

A--That was away up there, away from the Trent River.

THE CHAIRMAN: Q--Had the Nipissing been discussed by the parties interested ?

A--Between Mr. Ferguson and myself ?

Q--Yes? A--I think so.

Q--You say you had seen those valuations made by the Hydro.

Did they include the Nipissing? A--I don't remember. I suppose they did, but I don't remember.

COMMISSIONER R. A. ROSS: Q--Were not you negotiating the sale of the whole of the physical property of the company ?

A--With Mr. Ferguson ?

Q--Yes? A--No. I was negotiating the properties in the Trent District, that is all. There is no doubt about that.

Q--How would you have separated them out, if you had made a separate sale of the properties in the Trent District? How would you have separated the Nipissing out in your financing ? A--How do you mean ?

Q--You had covering bonds covering the whole of the properties of the company, including the Nipissing, or did you have special bonds ? A--The Nipissing bonds were separate bonds, secured on the Nipissing property.

THE CHAIRMAN: Q-- Didn't this $9,000,000 of bonds cover the Nipissing property?

A--It included it. Roughly speaking, there was $9,200,000, and of that amount I think there was $500,000 Nipissing.

Q--And when you told Mr. Ferguson that the amount you would get out of that $8,000,000 was not enough to pay your debts, didn't you have in view the making over of all your property? A--To Mr. Ferguson ?

Q--Yes? A--No, I never discussed with Mr. Ferguson anything else but the Trent properties at that time.

Q--And when you had been discussing the sale of your properties to the Hydro didn't you include the Nipissing property? A--I may have done so.

Q--Was this the only occasion then that you exempted the Nipissing property in the course of your negotiations ?

A--I don't remember.

Q--When Sir Henry Drayton came up here wasn't he to value all the property, including the Nipissing? A--Yes, that is my recollection.

Q--Was anything said to you by anyone as to the Hydro having approved of the purchase of them on the terms finally settled ? A--I have told you all I can recollect about that. Mr. Ferguson told me he was discussing the matter with Sir Adam.

Q--And what ? A--That is all I can recollect.

Q--And he wanted to get his approval, or something of that sort, that Sir Adam Beck had given some approval, I don't know what it was, but that he contended that in giving his approval he assumed the Nipissing would come in?

A--Yes.

Q--And did Sir Adam ever approve of the terms as finally agreed on between you and the Government ?

A--I don't know anything about it.

Q--You were dealing with the Government ?

A--Dealing with Mr. Ferguson.

Q--As representing the Government ? A--As representing the Government, and I drew the agreement for sale.

Q--You drew the agreement ? A--It is dated, you say, the 12th.

Q--The 10th of March? A--Well, I drew that agreement.

Q--Who did you submit it to ? A--I sent it to Mr. Ferguson and Senator Staunton approved it.

HON. MR. FERGUSON: It was all revised by Senator Staunton.

THE CHAIRMAN: And was it submitted to the Hydro, Mr. Ferguson?

HON. MR. FERGUSON: Well, I cannot recall that. You see, Senator Staunton was acting for the Hydro in other money matters, and that is the way he was brought into it, because he was familiar with the Hydro legislation and the Hydro methods of operating.

Q--Was he, in a sense, representing the Hydro in this matter ? A--Well, he was representing the Government.

He was Hydro Solicitor at that time. I know he had acted for them a very great deal, that is the reason he was brought in.

Q--And then that agreement was submitted to Senator Staunton after it had been prepared by Mr. Johnston?

A--I don't know. He may have made some alterations in it, I don't remember that.

Q--But it was finally passed by him? A--Oh, yes.

Q--And it had been taken up with Sir Adam Beck in the meantime. Was that submitted to him personally ?

A--I cannot recall that, Mr. Gregory. You see if I had had an opportunity of going through those files before I came here, so that I could have refreshed my memory --

Q--You have a good memory, Mr. Ferguson?

A--Well, I have a fairly good memory, but when it comes to detail like that I cannot remember that. I can remember the general trend of the affair, and I can remember the discussion I had with Mr. Johnston about it.

Q--I think we read the other day an extract from the Minutes of the Hydro, in which it stated that the terms of the agreement were different from the terms approved by Sir Adam Beck? A--I remember you wrote that. That may have come to the Department, I don't recall.

Q--You don't recall ever having submitted the agreement to Sir Adam? A--I don't recall, but in view of that Minute I fancy it must have been submitted.

COMMISSIONER HANEY: I think the Minute was after the agreement was signed.

A--Perhaps so.

THE CHAIRMAN: Oh, yes. It was the 19th of April, perhaps after it had been brought into the Legislature. It was brought up in the Legislature at the end of the session, was it ?

A--I cannot tell you just now.

Q--Was there any discussion on it there ?

A--I cannot recall. I remember the legislation coming up.

COMMISSIONER HANEY: Sir Adam Beck's letter, dated on the 4th, distinctly deals with the Electric Company's interests in the Trent District.

MR. JOHNSTON: That was all I was dealing with.

HON. MR. FERGUSON: This whole System, they were discussing it as the Trent Valley System ?

A--We never had any thought of Nipissing at that time.

HON. MR. FERGUSON: Sir Adam Beck was the first to bring it to my attention. He intended Nipissing, and he intended the whole System.

THE CHAIRMAN: Wasn't Nipissing usually referred to as being a part of the Trent System, although it wasn't ?

A--I cannot say that, because I don't remember whether Nipissing was in the System at the time or not.

COMMISSIONER R. A. ROSS: Q--You were dealing, as a matter of fact, with the assets of a company?

A--Yes.

Q--You may have called it what you like.

HON. MR. FERGUSON: I was exceedingly anxious, Mr. Ross, in breaking that solid ring which prevented Hydro getting into Eastern Canada. There was only way of doing it, and that was to buy them out. That was my general purpose.

THE CHAIRMAN: But there was a great difference between the amount mentioned in Sir Adam Beck's letter and the amount finally agreed on.

HON. MR. FERGUSON: Well, I haven't any doubtfrom what Mr. Johnston has said, he recalls many things to me. I remember we got into a dispute about whether Nipissing was included or not, and they declined to accept the bonds on this long-term basis, and I think that, after further negotiations, he agreed to put in Nipissing if we reduced

the bonds to 4 per cent --

Q--And make the term ten years ?

A--And make the term ten years.

Q--So that it was the inclusion of the Nipissing that really determined the lowering of the term?

A--That and the fact that the company said No, we won't take that.

Q--Lowering the term from 50 years to 10 years ?

A--That was purely a matter of negotiating, trying to complete the thing, and the Treasurer's view at that time was that with a 10-year bond we would be able to take care of the 4 per cent and, in the meantime, the whole system could be recreated and turned into a Hydro proposition.

Q--That the whole thing would be turned into a Hydro undertaking, so that the Government would be out of it and the municipalities would be the owners ?

A--Yes. Ordinarily, as you know, under the Hydro System the Government guarantees the bonds. In this case, there were those different utilities, and there was also this difference, they were putting up the cash.

Q--Putting up the bonds? A--Yes, putting up the bonds, and we estimated, I am quite sure that I discussed this with Sir Adam Beck, he agreed within the 10-year period --

Q--He agreed tothe 10-year period ? A--He agreed that, within ten years, the thing would be reorganized andput on the same basis as Hydro elsewhere.

Q--So that the Government would get out of it without loss?

A--That was the expectation, oh yes.

Q--That was the expectation he expressed to you ?

A--Sure, and that was all our purpose. We had no idea that the Government was going to drop out of the scheme with a loss.

Q--Did you know anything about the valuations that had been made by the Hydro of the physical assets of the company?

A--No. I cannot recall whether some of the Hydro officials may have told me, but I recall something about $7,000,000, but whether Mr. Johnston told me or some of the Hydro people I don't remember.

MR. JOHNSTON: You don't suggest, Mr. Chairman, that I second this. That is pure nonsense.

Q--THE CHAIRMAN: I think you did very well, Mr. Johnston. You proved your value as Counsel to them. They made no mistake when they got you to carry on the negotiations?

A--That is very kind of you.

Q--I hope they paid you well for it ? A--Not very well. I have a cause of grievance against all concerned.

Q--Not against Mr. Ferguson? A--Oh, yes.

Q--Dr. Reid too ? A--Yes. He tried to make it up by retaining me to draw the Railway Act once and he paid me the magnificent sum of $40. a day.

HON. MR. FERGUSON: It would pay you bettertto get on a Commission.

COMMISSIONER HANEY: Not much, Mr. Ferguson.

THE CHAIRMAN: There is one thing I want to go back to Mr. Johnston. You say the $9,000,000 were taken over at 85 cents on the dollar ? A--Most of them, I think, were purchased at that rate.

Q--That would mean that the company received $7,650,000 for those bonds at the 15 per cent discount on $9,000,000 ?

A--There was over $9,000,000.

Q--I am just calling it $9,000,000. Now I understood you to say that the proceeds of those bonds went into the properties? A--I believe so, there is no doubt about that.

Q--Well, either you paid too big a price for the properties or else the Hydro valuation is far too small.

A--Probably. It is possible that we did pay too much

for some of the interests we acquired. That is so with any one. Mr. Ross may pay too much for some of his raw material, and it is also possible that the Hydro, in its valuation, put those properties far too low.

Q--You were not President of the company when this money was obtained, were you, from the Sun Life ?

A--I don't fancy much of the money, or many of the bonds were issued during my Presidencey. My Presidency came about in this way. Major Colville went overseas, and it was just about the time, I think, when the Hydro began taking evidnnce as to our properties, and looking into or suggesting the possibility of our selling out, and when Major Colville went overseas it was suggested that I should take the Presidency. He had not been President. Mr. Curry was President up to that time, but he was away a good deal, and it was suggested I should take the Presidency in view of those possible negotiations with the Hydro and the Government, but I do not recollect now how many bonds were issued during my regime as President.

Q--The money obtained from the Bonds was used for the purpose of acquiring some of these small companies ?

A--Advancing moneys to complete their construction.

Q--Who were the people who were interested in those small companies? In many instances identical with the parent company? A--Certainly.

Q--So they might have paid a good price for the small companies ? A--Oh, no, no money went to them. For instance, if a company was building a power house at a certain point, it would issue its bonds; those bonds would be guaranteed by the Electric Power Company and the proceeds would go into the development of that plant.

COMMISSIONER HANEY: No cash passed between the small subsidiary companies and the electric company, or bonds for their properties ? A--There were some people who got bonds, yes.

THE CHAIRMAN: Q--There was $7,650,000 paid out to somebody ?

A--No doubt.

Q--It is very interesting to know just where that went?

A--It was paid over for properties, or for rights, or for construction.

Q--And the people who held the property, or rights, and did construction work were often identical with the people who controlled the electric power company?

A--No, I don't think so. I don't think you will find that any of theoriginal incorporators of the company ever made a cent out of it.

Q--Had the bondholders themselves any interest in this company? A--They had a large block of the common stock.

Q--And didn't they get some of the proceeds of the bonds ?

A--No, oh no.

Q--They were largely interested in the developments that had been carried on prior to the time of this bond issue, weren't they ? A--I am afraid I do not understand that question.

Q--I mean the bondholders, the people who loaned the money, advanced the money on those bonds had, prior to that time, an interest in this development work in the Trent Valley carried on by the Seymour Power Company ?

A--While they were holders of the common stock of the Electric Power Company, no.

COMMISSIONER HANEY: Q--And the purchase of the bonds of the subsidiary companies ?

A--Yes, for which they paid 85.

COMMISSIONER R. A. ROSS: Q--Mr. Johnston, was all of the money, $7,600,000 spent on the properties, or was there any of it in the liquids that were taken back aft r the physical assets had been disposed of to the Government ?

A--There were some liquids, I don't know how much. I remember trying to get Mr. Bronson to give us our stores, which he wouldn't do.

THE CHAIRMAN: Q--But the Government got none of the cash? A--No.

COMMISSIONER R. A. ROSS: Q--In other words, were there any large outstanding balances on the amount that had been raised on capital account ?

A--I don't recollect, I don't think so.

THE CHAIRMAN: Q--You cannot speak positively on that? A--No. We had a firm of auditors who were in constant touch with this concern.

COMMISSIONER R. A. ROSS: Q--Of course, a matter of that kind would not be a question for the auditors. It was something whereby you sold part of your property and retained part of your property, and you would retain also any cash unexpended that was in the bank ? A--Yes.

Q--Which might include a very large amount of unexpended money, money that had been received for capital account and not expended. A--I think there was something, yes.

THE CHAIRMAN: Q--Some millions ?

A--Oh, no, probably a hundred thousand dollars.

COMMISSIONER R. A. ROSS: Bound to be something.

THE CHAIRMAN: Q--Can you give us any idea where we can find out where this $7,600,000 went to ?

A--I have no doubt you can, if you apply to P.S.Ross & Sons.

Q--Will you co-operate with us in getting the information?

A--I don't know, I am not being paid very much for this. I got the magnificent sum of $1.50 to come here today.

Q--Will you request those people to give us this information, Mr. Johnston? A--Yes, I will make some inquiries.

Q--I must say the impression conveyed to me is that it did not go into the property?

A--The impression I convey ?

Q--Well, the impression that has been conveyed to me, not necessarily by you, but by all that I have heard?

A--Where do you think it went?

Q--That is what I want to find out, I am puzzled as to that. I do not wish to express any suspicions, but I do not think that all the money went into the construction of those plants down there ?

A--Mr. Gregory, you may take it from me that every cent -- not a cent was improperly diverted.

Q--I do not want to have an unjust impression on my mind.

A--I do not think you ought to say that, because I submit that not a cent was improperly spent.

Q--I did not suggest improperly.

HON. MR. FERGUSON: Some of your officials may have conveyed that impression who have gone out into the field to make inquiries?

A--There might have been money foolishly spent, there might have been certain rights that we bought out that, as a matter of fact, this company gave too much for, some of its leases, such as Burleigh Falls, things that have not been developed, and are not going to be developed for hundreds of years. That is my own opinion, and I thought so at the time. I recollect, as a director of the company, thinking that they were giving too much for Burleigh Falls and other Central Ontario properties.

COMMISSIONER HANEY: Q--Who were ?

A--The Central Ontario Power Company, some Port Hope people but, Mr. Gregory, if that thing was left alone, and properly handled, and if it was given, as it should have been given, a monopoly of power in that district, it is the simplest thing in the world to make money, because all you have to do is to regulate your price accordingto the price of your property.

THE CHAIRMAN: Why I asked that we have these books is that we may get the facts just as they are, and that injustice may be done to no one. We have tried several

times, and we are surprised to find that the Hydro, when it took over the assets and the contracts, did not get the books as well? A--Do they say they did not?

Q--They say they did not get the books of the parent company, and here we are investigating the matter of this purchase and we have not got the material to verify the matter, I mean by referring to the books which we feel we should have.

HON. MR. FERGUSON: I think it is extremely important that that should be cleared up, for this reason: I believe that since this matter has come up notice has been received from one municipality, if not more, that had agreed to go into this Central Ontario System but have since declined.

THE CHAIRMAN: I don't know anything about that. Several of the municipalities were represented here at the hearing, and it seems to me that no public wrong was done.

HON. MR. FERGUSON: Suspicions should not be disseminated.

THE CHAIRMAN: The only thing, Mr. Ferguson, is that these books are not available, and the fact of them not being available might give rise to some suspicion.

HON. MR. FERGUSON: We did not buy their books.

THE CHAIRMAN: When you buy the assets and take over the contracts it would seem that the books also should have been handed over.

HON. MR. FERGUSON: I assume that the Hydro got all they asked for. I remember discussing with Mr. Johnston, when the thing comes back to me gradually, the very question when they went into the valuation; I remember interviewing Mr. Johnston, and he said yes, they can go in and get any information they want.

THE CHAIRMAN: The books may have been destroyed for all I know, I hope not.

Mr. Ferguson, is there anything more you want to say in the matter?

HON. MR. FERGUSON: I don't think so. Your Commission is not rising.

THE CHAIRMAN: We will be sitting here this afternoon. We will be here today and tomorrow.

HON.MR.FERGUSON: It is possible I may want to refresh my memory about one or two things Mr. Johnston has said.

THE CHAIRMAN: We will be glad to give you an opportunity, Mr. Ferguson;

HON. MR. FERGUSON: If there is anything I can think of I will be glad to come back.

THE CHAIRMAN: We will adjourn till 2.45.

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The Commission adjourned at 1.10 P.M. Tuesday, 28th November, 1922, till 2.45 P.M.

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AFTERNOON SESSION 28th NOVEMBER. 1922

JOHN FERGUSON: Examined

THE CHAIRMAN: Q-- Well, Mr. Ferguson, we will be glad to hear from you now about North Bay. You are Mayor of North Bay? A--Yes.

Q--You are always Mayor? A--I have been Mayor for a long time, but this is positively my last appearance. We find ourselves there extremely short of power.

Q--I understand under your contract with the Seymour Power Interests an agreement was made to supply you with power to the extent of 3500 horsepower?

A--3500.

Q--And now you are getting-? A--About 1600 horsepower.

Q--And you want more? A--We want more . I understand that the Chairman of the Fire,Water & Light Committee, Mr. Barker, and Ex-Mayor McGaughey were here a few days ago, and they dwelt on the question of light. It is true that quite frequently we are unable to read the papers by the present light, but that isn't a serious matter.

Q--Is that on account of your wires?

A--No, that is on account of the low power. At the present time I may tell you our Pumping Service is altogether inadequate. Our Reservoir is quite frequently almost dry, and while we have an auxiliary, yet it is not as dependable as it should be. It is a gasoline auxiliary.

Q--You have a gasoline auxiliary? A--We have a gasoline auxiliary, yes. We abandoned our steam auxiliary some years ago.

Q--Were not you foolish to do that? A--Quite so. Not that I am trying to put the responsibility on the other chap that was there before I went into the Chair.

However, that was abandoned, which was a mistake. The Hydro Electric have a steam auxiliary in North Bay also, and theirs is abandoned, and I think there were two mistakes. However, the fact is that we are short of power and we are discouraged very much . The Hydro Electric Commission are giving us all the power possible. They are now contemplating additional power from what is called Bingham Chutes. Now you are into the South River country. This power is developed at South River, it is a flat country, and a great deal of the dams have been constructed, but the storage is very shallow, and, to a very great extent, freezes in that severe weather in the winter, freezes practically solid, and it takes a long time in the Spring until it thaws out.

Q--And that would limit the amount of power you could generate in the winter time? A--It would affect us in the Spring.

Q--How thick does the ice get? A--Quite frequently as thick as 26 inches. The shallower the water is the deeper it freezes, the thicker becomes the ice.

Q--It freezes right through from top to bottom?

A--In many places it does. They tell me this, those who have been in direct touch with the situation. That is one of the principal troubles that is before us.

The Hydro Electric Commission have told me that this additional power which they expect to get will cost in the vicinity of $150,000 to $200,000. Now, we think it is a pity that -

Q--Did you say how much horsepower they would develop at that new plant? A--About 1,000 to 1,500 h.p., I understand somewhere in that vicinity. I understand that

is the additional horsepower that they would expect to get.

COMMISSIONER HANEY: Q--Your contention is that would only be seasonal? A--I will not say that exactly. I won't be sure, because the water that they are going to take up there is an unknown quantity. It may be that it is deeper than the other, and that would not apply, but they tell me that it isn't any too dependable. It would depend upon the depth of the water that is backed up, of course.

But the question there with us is to get a supply of adequate power, a supply that is dependable. For instance, I had an industrial king, so to speak, come into North Bay a short time ago . He wanted to establish an industry there, and the lights were dim, not at all anything like 100 per cent and even the water power in the hotel, the pressure was low, and dealing with the question of power with him afterwards in my office he said, " I am afraid .... .. you have not got the power here." I just mention that fact. It is discouraging. We cannot expect to obtain the industrial activity in North Bay that we should have, and that we are ready for, and that really belongs to us until we get a proper source of power. That can only come from the development of the Chaudiere or the improvement of French River.

Q--And don't you think that this development at Bingham Chute would answer? A--We would welcome any power, but we look upon that with more or less doubt. We have been, right along, a little ahead of the point, you may say, because we have been short right along. We don't know what is going to happen, because this Bingham Chute development, even if it will produce the power that Hydro says it will, will not be ready for some time. I don't know just when they expect to deliver that.

COMMISSIONER/HANEY: Q--Has any work been done there yet? A--I understand not, because I was advised by a member of the Hydro Electric that if there is going to be anything done on the French River it should be made known at an early date before they make the expenditure of this money. From that I judge that there hasn't been anything done beyond the machinery that they have had from some other plant, that they intend to install there. I don't think there has been any direct expenditure there.

THE CHAIRMAN: Is anybody here from the Hydro. We ask that someone come over.

MR. IRELAND: I cannot speak regarding North Bay, Mr. Gregory, I am not familiar with the circumstances there at all.

THE CHAIRMAN: You had nothing to do with that?

MR. IRELAND: I had nothing to do with that at all. Mr. Jeffery, I understand, is on his way.

MR. FERGUSON: Gentlemen, the Hydro Electric seem to be perfectly anxious to develop the French River, and I understand the Government are sympathetic regarding it. It is a question of cost. The Chaudiere Falls will develop 12,200 h.p.

THE CHAIRMAN: Q--The Chaudiere Falls is the first development above, or below? A--The first development is above. It is 20 miles from Nipissing as the Crow flies. That is where the present power is. The present power plant of the Hydro that is serving us now. It is about 22 miles from the main line of the C.P.R. Verner, between North Bay and Sudbury. The power line would go from Chaudiere Falls across to Verner and then be distributed either to Sudbury or to North Bay, or to both.

Q--I thought Sudbury was well supplied now?

A--No, they are not. Owing to the cessation, to a great extent of the operations of the Monde people, they would not require the power that they would have taken some two years ago. At one time they had a request for 15,000 h.p.

COMMISSIONER HANEY: Q--The Monde people?

A--That is what their requirements were at that time. They have installed a steam plant which, I understand is generating about 8,000 h.p. in that vicinity.

The trouble that we find ourselves in is that North Bay, for example, would be required to carry the load. Under the present existing regulations North Bay would not be able to carry the expense of the power that would be developed there at the Chaudiere or the French River, as a whole, and bear the expense of it independently. We have considered reasonable grounds for sale to Old Ontario, if you will, and we feel that we should receive some special treatment during what is called by Engineers, I believe, as the loading period. It is not going to be possible for us to carry the load unless the Sudbury Mines would go again, as they are starting now to go full steam ahead. We would not be afraid to take care of the French River Power under those circumstances, which is. in its entirety, 35,300 h.p.

Q--That is the different sites? A--Three different Falls.

Q--You would not suggest developing all that at once?

A--No, sir. We would only deal with the one, 12,200 h.p.. It means a good deal, surely, for the Province as a whole.

THE CHAIRMAN: Q--Would you expect the Province to carry the loss in its earlier development?

A--We weasonably expect that the Province could do that for a time, during the loading period, because the North, we figure, means a very great deal to the South. Speaking

advisedly of the north and south, we are all one, of course, but we of Northern Ontario say that section of New Ontario means a great deal to Southern Ontario.

Q--I suppose every part of Ontario does something for the other part?

A--We have every reason to say " Yes, sir" to that. Only just right now were it not for the people of Southern Ontario the people of Northern Ontario would be in a sad plight at the present hour in connection with the devastating fire in that North Country. That is correct, the people of Northern Ontario owe much to the generosity of the South.

COMMISSIONER R.A.ROSS: Q--What would Sudbury take, Mr. Mayor? A--Just at the moment I may say that I doubt whether Sudbury would be able to take more than perhaps 5,000 or 6,000 h.p. just now. I would not be sure as to that, but I know there is a shortage.

Q--Would they take for their own uses , for general manufacturing purposes ? A--I think they get their power from Lampite. That is a privately owned concern.

Q--They have a long term contract for that?

A--I cannot say.

Q--You have a contract that is not the Hydro contract? You have the old contract that you made with the Company before they took it over? A--Yes.

Q--That has two years to run? A--The 1st of January,1926.

Q--Would your people be willing to go on a Hydro basis with other communities. You say you have got two years to run on your old contract? A--We have really three years, Mr. Ross.

Q--Yes. A--We would be willing. If we were only sure of getting power we are perfectly willing. We have no fault to find with the Hydro Electric. Our trouble is

shortage of power.

Q--Well, you have had a great development there in the last two years? A--Yes, North Bay is growing very fast.

Q--And your rates are favorable, I suppose? A--Our rates are, yes.

Q--And you have had a great development in stoves there?

A--Yes.

Q--So that in a district where power is scarce you are using it for something that could be handled in another way?

A--I know of one party who had to take out a large stove and put in a smaller stove, and in certain cases they are doing away with them altogether and cooking by coal. Coal there is very, very high and wood is not always desirable although we are in a wood country.

THE CHAIRMAN: Q--Have you gas there? A--We have no gas there.

COMMISSIONER R.A.ROSS: What are they doing with the power from the International Nickel Company; they are using it, are they? A--That isn't altogether completed, as yet, but that will take care of the International Nickel Company. It is a very large development and cost them a very great deal of money. They will require it all when it is completed. Of course, the electrification of the T.& N.O. railway has been suggested. It is hard to say just when that would be done. The French River to take care of the southern end of the T.& N.O. Rly. That is the suggestion that has been made, a year or two ago by Sir Adam Beck, and which I think is quite feasible. It is a good deal nearer at the southern end than their power would be north of Cochrane which would take care of the northern end of the line.

Q--So the only thing you have to depend on in that

country besides the uses of the municipality for citizens' uses is the development of the metal industries?

A--Well, no.

Q--There is no pulp there? A--There is a paper industry that wanted to go in this year, that is, they wanted to take out a certain grade of pulp and establish a paper factory in or around the North Bay section , and there is an industry there that is looked upon with a great deal of doubt in the matter of grinding rock. We have all the colours of rock known, from jet black to snow white. That is an industry which requires a considerable amount of power. There are a number of industries. As soon as the French River is developed we have been assured that one of the largest flour milling companies in Canada will turn the first sod and will erect one of the largest mills they own in that section there. We have a large tan bark country up there. We have townships of tan bark, looked upon by leather men as being the sort of industry for that section of the country, but we are not going to get very far without power.

COMMISSIONER R.A.ROSS: Q--And the Nickel Company are still using their steam plant? A--They have to, they have nothing else. They are not producing now owing to the drug on the market on account of the War, but those conditions have almost passed.

Q--They have a power plant in the Ontario Mine?

A--Yes.

Q--Are they using that? A--To some extent.

Q--It is a small plant? A--Yes. The Managing Director said it is costing $168.00 per h.p. out there.

THE CHAIRMAN: Q--How far are they from Chaudiere?

A--They would be about 40 miles from Chaudiere. I believe that the Ontario Government at the present time are very

willing to co-operate with the Dominion Government. Mr. Drury and Members of his Cabinet, and also the Hon. Mr. Ferguson, went down to Ottawa a year ago last October, and met the Government regarding the development of French River.

I would not be here today before you gentlemen, of course, if the war had not come on. The Government under Sir Robert Borden appropriated half a million dollars to start the work there, and they spent about three hundred thousand dollars in the installation of two dams, one a very large concrete and steel dam at Chaudierre, and a smaller one down at what is known as the Little Chaudierre.

I believe that figures have been mentioned to you gentlemen here regarding what it would cost to develop power at those Chaudierre Falls, and in discussing the matter with those same gentlemen since they say that they did not take into account that $300,000 expenditure. Of course, that is going to go some little way in helping the development of power at Chaudierre.

COMMISSIONER R.A.ROSS: Q--That was in connection with the prospective canal, I suppose? A--There is no canal, Mr. Ross. There are three locks required. French River is much deeper than Lake Nipissing, and this dam was put in in accordance with the plans and the scheme of development at Heley River, and is the first step in any case both as to the development of power and the making of the stream navigable. That dam was absolutely necessary in order to control the waters of Lake Nipissing which is rendering a very splendid service, and engineers tell me it is one of the best works of its kind on the American Continent.

THE CHAIRMAN: I think Mr. James said the cost would be about Seven millions.

MR. JAMES: About $200.00 a horsepower.

THE CHAIRMAN: Is that for the one development?

MR. JAMES: That is for the whole development. That was just a rough estimate.

MR. FERGUSON: Mr. Chairman, I think Mr. Gaby stated from a million to a million and a quarter at the Chaudierre.

THE CHAIRMAN: Q--Do you recollect what the estimate is?

MR. JAMES: I don't remember exactly what the estimate was.

THE CHAIRMAN: Q--You have made estimates?

MR. JAMES: We have made estimates at different times.

COMMISSIONER HANEY: Q--That is for the dam below, or including the dam?

MR. JAMES: Well, I think the estimates have been made both with and without.

Q--But you don't know what they are? A-- No, I have seen the estimates but I don't just recollect the figures at the time.

THE CHAIRMAN: Q--Where are they? A--They are on the Commission's files, I believe.

Q--Cannot you let us have those now? A--Well, I presume so.

Q--I think so, after Mr. Ferguson dealing largely with that feature of it. If you have them we might as well know what they are now. Supposing you get them.

(TO MR. FERGUSON:)

THE CHAIRMAN: Q--Would you suggest then, Mr. Ferguson, as there will be a large development at the Chaudier e, and though you cannot carry the whole load now the Government should step in and make up any shortage there may be, and that you think there is a reasonable prospect of other

industries developing which would sooner or later absorb the whole of the power that might be developed there ?

A--That is correct.

Q--Would your proposal be that the Government should just carry this deficit in the meantime in Suspense Account, so that when the industries did come along and they were able to carry it they should repay that off.

A--That wouldbe about the only way in which we could handle it.

Q--You would not expect the Government to pay it altogether and then forget about it ? A--No, we would not.

Q--You think they should pay it back when sufficient power was being taken ? A--Yes, that could be done very well. It is a matter of taking care of us, as I say, during what is known as the loading period.

Q--Have you made any estimate as to how long that period would last ? A--No, that could not be arrived at with any degree of accuracy. A good deal would depend on Sudbury, for example. Our work has been demoralized by this catastrophe in the North. If it had not been for that I would have been at Sudbury and would have been able to have taken the matter up with them and thus see exactly where they are at, because a great deal will depend upon that. I do believe that the Hydro people are under-estimating the growth of North Bay. We are 250 to 300 houses short in North Bay today, and from 50 to 100 places of business short today.

COMMISSIONER R. A. ROSS: Q--What is your population?

A--About 12,500. Our unemployed list is practically nil. No able-bodied man is walking the streets there. We have a very healthy condition only that we are short of places to house our prople, with families living in Capreol, Sudbury

and Callander who should be living in North Bay, we haven't a place for them.

THE CHAIRMAN: Q--I thought that the electrification of railways had been definitely decided on?

A--It has been talked about but it has not been stamped with certainty as yet.

Q--Have the Managers of the Railway suggested any place where the power could be developed ?

A--Yes, sir, everyone of them, Mr. D. B. Hanna, the ex-President of the Canadian National Railways, and his Directors. We have in the present Directorate Mr.Hungerford and Mr. Ruel, warm advocates of the development of the French River, and the Chairman of the T.N. O.Railway assures me that at the present time it would effect a saving of a about a million and a quarter to a million and a half dollars a year on fuel alone for them while they are working as they are at the present time.

The Dominion Government, and particularly the Canadian National Railways, is interested in the development of the French River, from a navigation point of view, as they bring their wheat through, and the Canadian National Railways is favored with what is known as a water level grade to the seaboard, quit an advantage over our good friends the C.P.R. They have serious grades to contend with which the Canadian National Railways have not and, in that way, there is an interest in there for the Canadian National Railways from a transportation point of view.

THE CHAIRMAN: Mr. Jeffrey, you have heard what Mr. Ferguson has said about the desirability of developing at Chaudiere. What do you think about that ? Would you mind coming up here ?

MR. JEFFREY: In the matter of further development?

THE CHAIRMAN: Yes, at Chaudiere.

MR. JEFFREY: That is a development that depends entirely

upon the market for the power, and the market is not immediately in sight. The matter of developing in order to create a market is a matter of policy; it is a Government policy.

Q--What about the municipalities taking care of the development from the start ? A--There is no load in sight now other than what Mr. Ferguson has told us. That is in the future.

Q--Have you estimated what North Bay might require in addition to what it now gets ? A--Well, North Bay, while they are a little short of power just now, I do not think they could use over or 400 h.p., that is immediately, and we are going ahead with further development which will take care of North Bay's immediate requirements at the Nipissing plant. That would take care of the immediate requirements of North Bay, but it would not take of any large industries at all. We can develop up to probably 4000 h.p. there or thereabouts.

Q-- At those two places ? A--At those two places.

COMMISSIONER R. A. ROSS: Q--And they are getting 1500 and short 400 ?

A--I would not say they are short 400 right now, but thay will probably be next spring.

THE CHAIRMAN: Q--When do you expect this development at Bingham Chute to be completed ?

A--Sometime next year.

Q--Areyou working at it now? A--Yes, we are going right ahead with it now.

Q--Did you hear what Mr. Ferguson said just now about the probable shortage of water in the wintertime owing to the ice ? A--There probably will be some shortage there,but I don't know that there will be such a serious shortage on account of ice that we would not be able to get a normal capacity out of it, but beyond that I do not think we would

be able to go.

Q--Have you got any storage facilities there ?

A--Yes, but it just depends on the season, I suppose, more or less, as to what capacity we can get out of the plant even with those storage dams, but we think that there is sufficient that can be developed there in connection with these plants to give us upwards of 4000 h.p.

COMMISSIONER R. A. ROSS: When is your low water season there, in the spring and fall ?

A--I believe it is in the fall, and occasionally in the winter, on towards March when it is frozen up very tight.

MR. FERGUSON: For example, two industries just at the present time, Mr. Chairman, Mr. Jeffrey has mentioned about three or four hundred horsepower. There are two industries waiting now that cannot go ahead, they haven't even ordered their machinery. They would absorb between three and four hundred horsepower, two small industries it is true, and I know that the Hydro-Electric are doing everything that they possibly can there to give us power. I met their Manager, Mr. Stavert, in the middle of the night between North Bay and the plant at Nipissing driving. It is to be hoped that we will not have a fire of any serious dimensions within the next few months. We have no fault to find with the Hydro-Electric Commission. They have gone in there endeavouring to do the best they can for us, If there has been a mistake made it is perhaps as much our fault as theirs. We should have had the Chaudiere development before now, it should have been gone on with but we cannot carry the load. Bear in mind, we will have to be prepared to pay a good deal more for power, but we will come into the growth that belongs to that section of the country.

COMMISSIONER J. A. ROSS: It would be a great

protection for those communities that you speak of if you had those new industries ? A--Exactly. I say they are at a disadvantage, and it is very discouraging. This gentleman I told you about who wanted to come in there said "I did not mind the dim light but when I turned on the taps there was not enough pressure to get water," and all that has a bad effect.

THE CHAIRMAN: Q--If you had these two developments what would be your minimum capacity at any time ?

MR. JEFFREY: Well, do you mean the Big Chute?

THE CHAIRMAN: And the one you have now.

A--If we get them developed we will have a capacity there of around 4000.

Q--Yes, that is the maximum capacity, but the minimum ?

COMMISSIONER HANEY: Not the Big Chute.

A--I mean Bingham Chute.

THE CHAIRMAN: You said there were certain times of the year when there would be less water available ?

A--I believe that we will have a minimum capacity of between 3500 and 4000 h.p.

COMMISSIONER J. A. ROSS: Q--Wouldn't you get a capacity from the Nipissing plant, when it is developed to a maximum, of about that 3500 ?

A--We would in generating capacity, yes, and we would, at certain seasons of the year, have enough water to develop all of that capacity.

Q--And the minimum on that plant would be what ?

A--Of course, if we put in two generators there with a capacity of about 1500 kilowatts each the minimum on that would depend, of course, on the amount of water we would get, probably a little better than 3000.

THE CHAIRMAN: I thought Mr. James said that plant would develop about 3500 and Bingham Chute about 1500 giving you a total of 5000 maximum, with a 4000 minimum, which

would be over double your requirements at the present time, that is, if you were in that position today, Mr.Ferguson, it would be a real protection to new industries.

MR. FERGUSON: It would be.

MR. JEFFREY: I doubt if we would get that capacity out of the plant. I think it would be nearer 4000, that is, for continuous power.

THE CHAIRMAN: Q--Have you considered the possibility of having to supply the railway ?

MR. JEFFREY: Not from that plant.

Q--Or from any plant ? A--Well, no, we have never given the matter any consideration at all except as Sir Adam may have considered the matter as a matter of policy, but as regards making estimates, or considering the matter from an engineering standpoint, no we have not.

Q--Mr. Ferguson spoke of them as a possible customer if you developed at Chaudiere, and also the Mond plant if they should finally take electric power they would use a lot of it?

A--Yes, if we got those two loads it would go a long way towards helping to carry the initial cost of development.

Q--The total development I understand at Chaudiere is about 12000? A--Yes.

Q--I should think it would cover it . If you got 8000 from Mond, but between the others you should be able to dispose of it ? A--We would under those conditions, but we would have to get a long-term contract.

COMMISSIONER R. A. ROSS: Speaking of storage in that district, one company put in a storage on the French River. What success did they have with that, do you know ?

A--I don't know.

Q--I never heard how that worked out.

MR. FERGUSON: The Hydro people have all kinds of trouble in the spring with the ice on the South River.

In connection with the ice question they are battling with it every year and they will as long as it is there. It would be a very difficult matter to convince North Bay, speaking of my own town, to purchase power from the plant on South River from Hydro just on that account.

THE CHAIRMAN: Q--Would there be the same difficulty with ice at Chaudiere?

MR. FERGUSON: Oh, no. The Lake ice, before it reaches the Falls there are 12 miles between, and hundreds of Islands, and it is all broken to pieces, even in the spring of the year, and going down there it would all be smashed up. There is very little ice on the French River within quite a distance of the Falls, on account of the current. At places it is very narrow, and at other places very wide. The French River would take care of the ice.

COMMISSIONER HANEY: The policy of the Hydro is the development of Bingham Chute.

MR. JEFFREY: Yes. It is necessary to go ahead with that in order to get the immediate power which North Bay requires, they have got to do it.

THE CHAIRMAN: Q--I suppose any power you develop there, Mr. Jeffrey, would have to be sold, until that franchise expires, at the rate provided for in the agreement?

A--We expect so, yes.

MR. FERGUSON: Mr. Chairman, we were charged up there with a good deal of interest on the purchase of the Seymour plant, purchased at $70,000, $60,000 paid on it and $10,000 deferred until the completion of the ddal, but I found that was put into the cost. The cost was put in at $121,610. At the moment we are at a loss to know where that comes in.

COMMISSIONER HANEY: What is that, I do not quite understand ?

MR. FERGUSON: The North Bay Light Heat & Power Company

sold out for $70,000 receiving $60,000 approximately, within a few dollars. $10,000 was deferred. That was the purchase --

Q--And the Government paid for that property ?

MR. FERGUSON: We sold to the Seymour, I think.

THE CHAIRMAN: Yes, the Government paid $408,156 for the plant at Nipissing.

MR. FERGUSON: I thought it was $121,610 ?

THE CHAIRMAN: Oh, no, they paid more than that. As a matter of fact, they paid over $500,000 for it.

COMMISSIONER R. A. ROSS: The bond issue against that plant was $500,000.

MR. JEFFREY: Are you speaking of the same thing, Mr. Ferguson? That includes the generating plant. I think it is the North Bay distribution and steam plant - the two are not the same.

MR. FERGUSON: I see.

MR. JEFFREY: You see there was a steam plant taken over, the old North Bay steam plant, and there was a new generating plant installed.

THE CHAIRMAN: North Bay is in rather a dangerous position having no auxiliary steam plant, if some accident should happen.

MR. FERGUSON: They are in the same position as any other town is in, just like Hamilton.

THE CHAIRMAN: Haven't they any auxiliary plant ?

MR. FERGUSON: No. We did have an auxiliary plant, but it got so old, but for our power supply we have a wood pole line which is the same scheme of transmission that they have all over the Province.

THE CHAIRMAN: So if power goes off for several days and fire came along there would not be much chance of fighting it ?

MR. JEFFREY: No.

MR. FERGUSON: No. If in the wisdom of your Commission,

Mr. Chairman, some plan could be devised or you take up with the Government the advisability of the development of that one unit, for the present, on the French River, which is the idea of the Chairman of the Hydro-Electric Commission, and which I believe would be welcomed by the Prime Minister -- I believe that, with the co-operation of all Ottawa might be induced to take on their part of it simultaneously.

COMMISSIONER HANEY: The Hydro have already committe themselves and are actually working on the Bingham Chute at an expense of how much, Mr. Jeffrey?

MR. JEFFREY: Offhand I do not just recall the figures. I think it is somewhere around $120,000, but I am not at all sure. You will understand, of course, that even although the Government did decide on a policy of going ahead with the big development it would take several years.

Q--Why ? A--Well, you cannot construct a plan of that size under at least two years.

Q--Two years are not several, you know.

COMMISSIONER R. A. ROSS: Mr. Jeffrey is allowing for the inertia of Governments.

COMMISSIONER HANEY: Q--The dam is built ?

A--Yes.

Q--And the expenditure would be approximately a million dollars, I suppose? A--Yes, but it will take considerable time to get the Government to O.K. that before you start.

Q--I am not speaking about that, I am speaking after its O.K., after it has been decided upon.

THE CHAIRMAN: You have the development at Bingham Chute. You will have all the power developed for North Bay that you can use for some time to come, even if you had got those industries of which you speak. There do not seem to be any customers in sight for the development of the Chaudiere Falls, unless possibly the Mond people might be induced to abandon their steam plant, and if the railway

were to decide to use and take it from there, why, you would have the question solved at once. If you cannot get those two to decide to take the power you could hardly expect the Government to provide the money.

MR. FERGUSON: I know a good deal about the nickel business, having managed the Sudbury Mines of the American Company for seven years, and it must be apparent to everyone that within two years the surplus nickel that is on the market of the world at the present time will be used up, in fact they have started already to smelt, they are going ahead every day. Within one year the Mond people will be going at a considerably faster pace than they are at the present time, and surely they will welcome a step down from $168 a horsepower, or in that vicinity, to what power from Chaudiere would cost them.

Q--They would get it off the Sudbury line ?

A--They would get it off the Sudbury line. The Hydro would distribute it from there. The line would go out 22 miles to the C.P.R. and then go East and West. We have a gentleman's agreement with Sudbury that they are to have the first call on power. They have backed us up both at Ottawa and Toronto in connection with the improvement on the Trent River, on the understanding that they have the first call on power. They certainly have suffered and are suffering today for power. While they have it it is costing them a great deal of money, many times over what it is costing North Bay.

THE CHAIRMAN: Anything more, Mr. Jeffrey?

MR. JEFFREY: No, except in connection with these estimates. The estimates that Mr. James speaks of were prepared some time ago, and I do not know whether they would be really close enough now to give you any very good

idea as to what the cost would be.

COMMISSIONER HANEY: Q--How long ago were they prepared?

A--Well, now, I am not just sure how long ago it is. I think it is away back prior to the war; we have not made any recent estimates at all on that, they are all old estimates away back, I think, about 1913 or 1914.

THE CHAIRMAN: When he quoted the estimates the other day did he just take those and add a certain percentage to them ?

A--I cannot say that.

MR. FERGUSON: Did I understand somewhere about $7,000,000, that is what someone quoted.

THE CHAIRMAN: Yes, Mr. James did, for the development of the three different sites on the French River.

MR. JEFFREY: If there are any more recent estimates than those I do not know of them.

MR. FERGUSON: Mr. Gaby, no later than this morning, gave me the figures again of about a million and a quarter dollars for the development of the Chaudiere.

COMMISSIONER HANEY: It would appear, Mr. Ferguson, that the important thing in your district is to get your power users together and have them make a specific proposition to the Hydro people as to the amount of power that they want, an understanding as to what the price would be, and get some action taken either for or against the development of the Chaudiere. Conversations don't go very far.

MR. FERGUSON: No.

COMMISSIONER HANEY: Prospective contracts don't pay interest.

MR. FERGUSON: Very true.

COMMISSIONER HANEY: And if the Mond people will require power in two years, and they are prepared to contract for a specific amount of it, and the Sudbury people, and yourselves,

you will get pretty nearly the maximum amount of power that could be developed at the Chaudiere, according to your statement. What is essential in all those cases is action, first of all, and the second is action, and the third is action. Do you depend on the Hydro people to find the customers ?

MR. FERGUSON: No, the Hydro find a great many customers, but we have a lot of customers rapping at our door now asking as to the price of power, at either myself or the Chairman of the Industrial Committee, and we have got to hold up our hands and say No, we cannot take on industrial activity just now, we cannot talk business with you at all, we will have to wait until some day in the future and see what the Hydro people and the Government are going to do for us.

COMMISSIONER R. A. ROSS: When do you think you will be readywith that new plant for Sudbury, how long do you think it will take ?

MR. JEFFREY: Bingham Chute ?

COMMISSIONER R. A. ROSS: Yes.

MR. JEFFREY: We expect to get it going sometime perhaps in the summer. We will have our first unit in, I think, probably early in the summer.

COMMISSIONER R. A. ROSS: Probably taking care of the full shortage ?

A--Yes, and we will probably have two units in, taking about 800 kilowatts.

WILLIAM D. BONTHRON (Examined)

THE CHAIRMAN: Q--Mr. Bonthron, you are a member of the firm of Price Waterhouse & Company? A--Yes, sir.

Q--Accountants for this Commission? A--Yes, sir.

Q--Have you examined the account of what is known as the Central Ontario System? A--Yes, sir, we have.

Q--When was this property purchased bythe Province of Ontario? A--As of March 1st, 1916.

Q--The terms are set out in an agreement, aren't they, dated March 10th, between the Province of Ontario and the Seymour people? A--Yes, sir.

Q--I won't ask you questions about it, but perhaps you can tell us something about what was given for the property and what the Province obtained ?

A--The purchase consideration was $8,350,000 par value of 4 per cent debentures, due in ten years from March 1st,1916. The properties acquired comprise two sections, the Nipissing section which comprised a generating plant and distribution system principally for the City of North Bay, but also supplying power to three other small communities. The balance of the System is known as the Central Ontario section, which comprised power developments, transmission lines and local distribution electrical systems within, I think, fifteen municipalities; four gas works, two water works, the Peterboro Radial Railway and the Campbellford Pulp Mill. Those were all the properties, I think, that were acquired.

Q--Do you know where those local distributing districts were ? A--Belleville --

Q--That is where the Government bought the local distributing systems? A--Yes, sir. There was Belleville, Bowmanville, Brighton, Cobourg, Desoronto, Lindsay, Millbrook, Napanee, Newburg, Newcastle, Orono, Oshawa, Port Hope, Trenton and Tweed.

Q--Can you tell us where those various plants were that you have spoken of, gas and water, and so on ? A--Yes,sir. The gas works were located at Cobourg, Oshawa, Peterboro and Napanee; the water works at Cobourg and Trenton. Peterboro Radial Railway, of course, the Municipality of Peterboro.

Q--Were you goingto speak about the contracts ?

A--Well, yes. These local electric systems where the power is retailed by the Commission within the municipalities are on the basis of contracts entered into by the subsidiaries of the Electric Power Company prior to the purchase by the Province.

Q--Did those contracts cover a term of years ?

A--Yes, sir, I have a note of the periods of each of them.

Q--And some of them, one at least, Belleville, there is no date of expiration.

COMMISSIONER HANEY: Q--Does that mean it is perpetual ?

A--Apparently so. That is a legal question as to that, except that the municipality had the option to purchase the property on May 19th, 1916, or on any date thereafter during the life of the franchise.

THE CHAIRMAN: Q--So it may take over the plant at any time it wishes ? A--Yes, sir.

COMMISSIONER J. A. ROSS: On the basis of tangibles only.

A--The Belleville contract provides for the acquisition by the city of the properties -- quoting the words -- at their then actual cash value to be settled by arbitration. These contracts with the various municipalities named, where they contain options to purchase, the language is not always the same, nor are the intangibles excluded from the consideration in each case.

THE CHAIRMAN: Q--The Electric Company had entered into contracts with private parties, had it not ?

A--Yes, with companies and with some municipalities, for the sale of power on what you might term a wholesale basis.

Q--Perhaps we will come to that presently. What about the value of this property that was purchased by the Province?

A--Well, we never knew the value that was taken up in the accounts.

Q--Was it valued by the Hydro-Electric Power Commission?

A--A valuation had been made, as we understand it, by the engineers of the Hydro-Electric Power Commission during 1914. We have that value here. Then when the properties were acquired by the Province, the cost of reproduction of the property in 1914 less some adjustments on account of inventories, values included, and taking into account the condition of the property to March 1st, 1916, formed the basis of value.

Q--Perhaps we had better go back. First, what was the amount that was paid for it ? A--$8,350,000 in par value 4 per cent 10-year debentures.

Q--Well, now, what was that equivalent to in cash ?

A--Well, on the basis of a 5 per cent interest return --

Q--Was that the rate prevailing at that time ?

A--That was approximately the rate prevailing as far as we can ascertain. We found that bonds of the Province, 5 per cent bonds, were selling at about 4.85 and 4.87. We, therefore, deducted 5 per cent as being sufficiently close for this purpose, because it would appear that Provincial 5 per cent bonds, without the succession duty clause, would be selling at at least on a 5 per cent basis. These 10-year debentures on the basis of 5 per cent interest return on $8,350,000 would be worth $7,705,206.32.

Q--$7,705,206.? A--Yes, sir. $8,350,000 was equivalent to that amount in cash.

Q--$8,350,000 was equivalent to that amount in cash ?

A--Yes. In other words, on the basis of a 5 per cent return that would be subject to a discount of about $645,000.

Q--Now, was the valuation that you speak of made on a cash basis ? A--The valuation made by the engineers was, I think, on a cash basis reproduction value.

Q--What was the valuation made by the engineers ?

A--The only thing we have as authority for that is a book that has been handed to us, I believe by your Commission, furnished to you by the Hydro-Electric Power Commission, showing a summary of the appraisal valuation that they made.

They determined in 1914 the total replacement valuation of these properties to be $5,598,411. They determined, apparently, the depreciated condition and valuation to be $4,410,466.

Q--That is what would be the actual value ?

A--That is what they determined those actual values to be on this basis in 1914.

Q--Well, then, you say that they gave for it equivalent in cash, on a cash basis $7,705,000 ? A--Yes, sir.

Q-- What would be the difference between the cash value of the property, the actual value and the amount that was paid for it ? A--Well, it would nat rally be the intangibles attaching to the properties.

Q--That would be how much ? A--As between those two figures approximately $3,300,000.

Q--Well, then, when the Hydro made the entries in its books what did it place there, did you see the replacement value ?

A--The value was based on the replacement values determined by the engineers in 1914 with some slight revision of those values. They reduced them by $307,312 of which $161,000 was inventory included in there, and then there were some additions to the property, about $183,000 additional money spent down to March 1st, 1916, so that the total consideration of $8,350,000 in par value debentures was spread on the books, and $8,165,001.47 was charged to Property Account, and the

[illegible]

[illegible]

[illegible]

balance represented inventory and some tools. The $8,165,000 odd was separated as between replacement values and the tangible properties and intangibles.

Q--Well, then, the replacement value was given ?

A--and placed on the books of the companyat$5,487,659.47. That was the replacement value estimated down to March 1st, 1916.

Q--Well, then, what did you do with the difference between this amount and the amount that was paid for the property?

A--That was charged to property account; as representing intangibles that amounted to $2,677,342.

Q--What do you mean by intangibles ?

A--Well, it would ordinarily include the undeveloped power in a case of that kind, potential earnings of the company capitalized.

Q--Then how was this difference between the replacement value of the propertyand the amount paid entered on the books and apportioned among the different plants ?

A--It was arbitrarily, more or less, apportioned to the various classes of property so as to arrive at what was deemed an equitable basis for distribution of the total interest charges but, of course, in providing for renewals the intangibles have not been taken into account. The renewal provisions have been made solely on the tangible properties.

Q--That is, the Government had to pay interest on the whole of this $8,350,000 ? A--Yes, sir.

Q--And in order to ascertain what it should charge up against the respective plants for this interest it apportioned the full amount paid amongst them all? A--Yes, sir.

Q--What you say would be an arbitrary basis ?

A--It was.

Q--Have you got a statement showing how this was apportioned among the different plants ? A--I have it, but I don't

know whether it goes into sufficient detail. The Central Ontario System, power development and hydraulic rights was charged with $1,915,712; transformer switching stations, in every section, $141,426; transmission lines with $175,962; the local utilities, electric, gas, water and street railway were charged with $325,607. The Nipissing Section, in total was charged with $98,671, and the Pulp Mill with $19,964.

Q--Have you got a statement, Mr. Donthron, showing in two columns the amount of the replacement value alone of each property, and the intangibles that were placed against it in addition to that ? A--I did have such a statement, but I gave it back Mr. Latimer this morning.

Q--I think you might look at that statement which I now hand you ? A--Well, all those figures, the totals beyond those summary figures that I just gave you would be entirely too much to read into the record. If there are any particular parts of the System that you would like to inquire as to --

Q--Have you got one of the different plants ?

A--Power houses.

Q--I wasn't thinking of that, no. A---You mean the local systems ?

Q--Yes? A--Yes, sir. Belleville, $25,830.

Q--Well, what are those? A--Those are the intangibles.

Q--Well, could you give the replacement value and the intangibles both? A--Yes. In the case of Belleville -- those are the March 1st,1916 figures -- the replacement value of tangible property was $118,032; intangibles $25,830, total $143,862. Bowmanville replacement $34,768; intangibles $7,609. Total $42,377. Newcastle replacement $6,735; intangibles $1,474. Total $8.209. Orono, replacement $4,696; intangibles $1,028, total $5,724. Brighton, replacements $21,268; intangibles $4,654. Total $25,922.

Cobourg Electric, replacement $76,383; intangibles $16,716. Total $93,099. Cobourg Gas, replacement $78,270; intangibles $17,129. Total $95,399. Cobourg Water Works, replacement $162,975; intangibles $35,666. Total $198,641. Lindsay, replacement $57,088; intangibles $12,493. Total $69,581. Millbrook, replacement $6,535; intangible $3,000. Total $9,535. Napanee Electric, replacement $31,395; intangibles $20,000. old steam plant, replacement, $18,143. Total $69,538. Napanee Gas, replacement $35,081; intangibles $7,677. Total $42,758. Oshawa Gas, replacement $96,340 ; intangible $21,084. Total $117,424.
Port Hope, replacement $63,432; intangible $13,892. Total $77,324. Peterboro Electric, replacement $7,486; intangibles $1,638. Total $9,124.

COMMISSIONER HANDY: Are there no intangibles without tangibles at all on that list ?

A--There are no tangibles without intangibles.

Q--No intangibles without tangibles ? A--No, sir.

The Peterboro Gas replacement $124,647; intangible $27,278. Total $151,925. Peterboro Railway, replacement $236,357; intangible $51,726. Total $288,083. Trenton Electric, replacement $75,923; intangibles $35,000. Total $110,923. Trenton Water Works, replacement $20,000; intangible $4,377. Total $24,377. Tweed, replacement $12,394; intangibles $2,712. Total $15,106.

Q--Aren't there some waterpowers there that have practically no intangibles? A--I was speaking of the local electric systems, and local distributing systems. I do not see any properties here where there are intangibles without tangibles.

THE CHAIRMAN: Q--Well, then, the idea instead of adding intangible in each case is to increase the amount upon which the local charges would have to be based, that is.

ifthe rate to be paid by those using that System were fixed it would be fixed high enough to pay interest charges on the intangibles as well as the tangibles ?

A--Yes, sir, that was the idea of it.

Q--So that if the tangibles were not added the rates charged to those places might be lower than they would be with the in tangibles ? A--That is true I consider on the total bond issue which had to be taken care of.

Q--And that is the way it was taken care of ? A--Yes,sir.

Q--Now some of these municipalities are authorized, I think you said, to take over these Systems from the Government?

A--Yes, sir.

Q--Does the agreement between the Electric Power Company, which originally made them, and these municipalities, provide that the intangibles which are charged against this system are to be taken into account when these systems are taken over, if they are taken over ? A--In the cases of some of the franchises where the municipalities have options to purchase, provision is made for determining the value on the basis of the tangibles only, but as a going concern, but excluding all franchises and good will, or other potential values.

Q--What does that mean ? Does it mean they just pay the price say of a replacement or actual value ?

A--They pay the actual cash value of the tangible properties existing at that date.

Q--Now, what municipalities are those ?

A--Belleville,Bowmanville, Desoronto, Lindsay, Millbrook, Newcastle, Orono, Port Hope. That seems to be all. Napanee contains only these words: "When they are required to purchase, or may have an option to purchase the property as it then exists." That would be a question of what the interpretation would be of that value, and North Bay "and by providing for the price or value therefor as a going

concern but subject to the provisions of sub-section A3 of section 566 of the Municipal Act, 1903".

COMMISSIONER R. A. ROSS: Q--By whom were those contracts made, Mr. Bonthron ?

A--By the subsidiaries of the Electric Power Company prior to 1916, or possibly, in some instances, they have been made by the Electric Power Company. I think, however, by the subsidiaries in each instance .

THE CHAIRMAN: Q--So that when the property was taken over it was taken over subject to those contracts, taken over by the Government subject to those contracts? A--Yes, sir.

Q--Then in these cases, Mr. Bonthron, if the municipalities exercised their rights under this agreement, and just took them at cost, how would the Government recover the intangibles which were charged up against those properties, and which formed part of the purchase price paid by the Government?

A--I do not see any way in which they could recover that.

Q--You do not see any way? A--No, sir.

Q--Do you want to say anything more about the contracts with the municipalities? A--Well, in some instances, on the basis on which the accounts have been kept they show that profits have been made within the municipalities, that is, on what you might term local distribution of power, the retailing of power, but the accounts of the Commission, the accounts of the Province for this System have not been adjusted on a basis that the power generated and distributed for those municipalities has been charged in bulk to the municipalities at cost, so that the apparent profits are, in some instances, not real.

Q--When the System was taken over by the Government they took over, as well as those contracts with the municipalities, contracts with private concerns or corporations, did they not ?

A--Yes, sir, they did.

Q--Can you tell us what they took over in that class ?

A--Yes, sir. The more important ones were the Canada Cement Company contract to furnish the Cement Company with power at fixed rates.

Q--Well, now, when was that contract made ?

A--On February 23rd, 1910.

Q--For how long does it run ? A--It expires on March 1st, 1925. It is a 15-year contract, except that the consumer has the option to renew the contract for a further period of 15 years, which would make it run to 1940 if it is renewed.

Q--Could you run over those contracts and tell us if they have been carried at a loss or a profit?

A--I have the figures here, in total, for the three years ending October 31st, 1921; on the basis considering power at cost these contracts have resulted in a loss of about $169,000 in those three years.

Q--Give us the details of that? A--In Campbellford the loss there is about $20,000. Canada Cement Company the loss is about $72,000, of which approximately $52,000 is in the one year ending October 31st, 1921. The C.P.R., there is a small profit. Canadian Woollens a small loss of about $700. Chemical Products, another small loss $490. Deloro Smelting and Refining Company, there is a loss of about $11,800. Sundry companies in Frankford there is a profit of about $3000. The Ontario Rock Company there is a profit of about 5300. G.M.People a small loss of about $1000. Point Owen Quarries a loss of about $6000. Sheehy & Sons a profit of about $500. Then there are three municipalities with whom contracts for the sale of power at fixed rates are included in this list: Kingston, on which there was a loss of about $35,000, on power sold to Kingston at a fixed rate.

Q--In three years ? A--In three years. Omemee is about $1500, and Stirling about $125. There are two rural lines included here operated at a loss, about $7500. The total of these is about $169,000 for the three years.

Q--Have you got the returns for the year ending 31st October from those ? A--No, sir. The accounts of the Commission for the year ending October 31st, 1922, have not yet been closed. We know only appoximately what the total result of operation of the Central Ontario System will be but without yet being able to determine how much the result would be by the various plants or local utilities. It is estimated that the operating deficit for the year ending 31st October,1922, will be about $30,200.

Q--Could you tell us what the operating deficit of the property has been since the property came into the hands of the Government ? A--Yes. After providing for renewals and 4 per cent interest on the debentures, and other interest charges, but without interest, or rather without considering any sinking fund other than a very small provision, the operating deficit for the property from March 1st,1916, to October 31st, 1921, was $168,930.15.

Q--How was that provided for ? A--Necessarily out of advances by the Province, or from the use of moneys while it was being advanced.

COMMISSIONER R. A. ROSS: That deficit is practically identical with the losses on those fixed contracts. Who made those contracts?

A--It is a coincidence, that is all. The contract with the Asbestos Pulp Company was made by the Hydro-Electric Commission August 18th, 1916. The contract with the Chemical Products, Limited, was made on November 3rd,1920, and the contract with the Canadian Paper Company was made on December 14th,1920.

COMMISSIONER J. A. ROSS: Q--You might also indicate when they expire, Mr. Bonthron ?

A--The Asbestos Pulp Company runs for 5 years, to August 18th, 1921, and it has been automatically renewed.

THE CHAIRMAN: Q--Is there a provision in it for renewal?

A--I haven't here a copy of that contract. The contract with the Chemical Products Company was a one-year contract, merely continual until cancelled by either party. The Canadian Paper Power contract was from December 14th, 1920, to January 1st, 1922, one year and 15 days, and the contract was renewed for one year at the same rates. The Canadian Cement Company contract I mentioned before. It runs for 15 years to March 1st, 1925, with the option for further renewal of 15 years.

Q--That would be made about 1910 then ?

A--That was made on February 23rd, 1910. It was taken over by the Province at the date of acquisition of the property. The contract with the C.P.R. was made on January 31st,1914, and runs for 10 years. The Canadian Woollens Limited contract was made on May 29th, 1917, without any definite termination date being fixed.

COMMISSIONER J. A. ROSS: Q--That is, it may run over ?

A--I don't know, I haven't got the contract here.

THE CHAIRMAN: Q--It may be cancelled at any time ?

A--I don't know that there are any provisions for cancellation. The contract with the Department of Railways and Canals was made in 1912, and the expiry date is not mentioned in the contract. With the Deloro Smelting & Refining Company the contract was made on January 4th, 1920, and expires on December 6th, 1924. The Frankford Cooperage Company contract was made April 1st, 1921, and runs for one year. The G.H.Gillespie & Co. contract was made May 6th, 1920, and

expires November 1st, 1921, and was automatically renewed, that is, the service continued under the same rate. I presume it is terminable at any time. The Corporation of Madoc, the contract was made October 8th, 1909, expired January 1st,1920, and was then renewed for a further period of ten years. The Nicholls Chemical Co. contract was made September 28th,1920, expired on August 1st,1921, and was automatically renewed. G. M. Peoples contract was made October 1st,1919, and expires on April 1st, 1924. The Point Owen Quarries contract was made March 23rd, 1921, expired March 20th, 1922, and was automatically renewed. Contract with the Corporation of Stirling executed on September 30th,1909, expired January 1st,1920, and was then renewed for a further period of ten years. The Corporation of Whitby. There is, apparently, no formal contract. The rate of $29 is an interim rate only. With Kingston a contract was made on September 4th, 1916, and expires in twenty years from the date when power is first supplied. Ontario Rock Company, the contract was made on January 3rd,1920, expires June 1st, 1930. Sheehy & Sons, contract was made May 30th, 1921, and expired June 15th, 1922, was automatically renewed.

It appears that out of all of these contracts there are only three that were taken over from the Electric Power Company, that is, the Canadian Cement Company, which is very unprofitable at present, the Department of Railways and Canals and the C.P.R. contract on which there is a small profit being made.

THE CHAIRMAN: Q--You mentioned other assets taken over, the Pulp Mill, for instance? A--Yes, sir.

Q--What has been the result of the operation of the Pulp Mill Oh, by the way, what is the total deficit down to the end of October last ? A--$207,168. Of course, that includes the estimated deficit for the current year, at a figure of about

$38,000.

Q--Yes? A--The results of the operation of the Pulp Mill were that for the period from March 1st,1916, to October 31st, 1917, there was a profit of $32,753.62, and then for the fiscal years ending on October 31st,1918, a loss of $14,869.89, 1919, $58,888.30 loss, and in 1920 a profit of $200,364.45, and in 1921 a loss of $17,693.04. Of course, the showing for the year 1920 was abnormal and due, practically entirely, to the prices received for pulp sold in that year.

Q--However, there was a big profit for that year?

A--Yes,sir.

Q--What is the net profit from the pulp mill since it was taken over, down to the end of this year or of the last fiscal year ? A--Subject to some slight adjustment, the net profit is approximately $113,000 for the period from March 1st,1916, to October 31st,1921.

Q--To 1922 now ? A--I don't know, we have none of the figures in detail by operations or utilities for 1922.

THE CHAIRMAN: Mr. Guilfoyle, you might find those figures if they are available.

MR. GUILFOYLE: The statement showing what the deficit would be for the year ending 31st October.

WITNESS: That shows a loss of $71,000.

MR. GUILFOYLE: That is down to October 31st,1922.

THE CHAIRMAN: Q--The total loss would be, or what is the net profit of the pulp mill ?

A--A profit of $113,000 less $71,500.

Q--So there was a loss for 1922 of approximately ?

A--That is the loss for 1922. That figure first shows in detail $71,588, being the estimated loss of the pulp mill for the fiscal year ending October 31st,1922.

Q--And that makes the net profit for the whole period about?

A--About $41,000.

Q--What about these different plants, the gas plants and the water works, how have they been operated, at a profit or a loss

A--They have been operating at losses, but they are gradually improving their position. They are being brought on to a profitable basis. The gas works in total --

Q--You have them in total ?

A--I have them in total by years, I haven't got the figures separately. The gas works you want them by --

Q--By years ? A--For the first period ending on October 31st,1917, in the aggregate, there was a loss of $31,730.67. In 1918 the loss was $26,847.27. In 1919 it was $23,879.41. In 1920 it was $13,562.15, and in 1921 it was $8,654.51, so that the loss has been decreasing each year. The aggregate loss in the operation of gas works for this period to October 31st, 1921, is $104,674.01.

Q--Were any changes made in the rates for gas charged by the Hydro? A--Yes, sir. On the expiry of the franchises the rates were adjusted so as to bring the revenue up to approximate the cost with the idea of reducing the loss.

Q--Have all the franchises expired ? A--I am not sure that we have all those gas franchises here. I cannot tell you whether they have all expired, but I know the rates have been adjusted, so that, apparently, they must have expired.

Q--What change has been made in the rates ?

A--Take Peterboro. The domestic rate was 1.25 per thousand feet, and the manufacturing rate was 1.15. Those rates were in effect July 31st,1917, when the rates were changed to 1.40 domestic and 1.20 manufacturing. Those rates continued in effect until May 31st, 1918, when they were then changed to a flat rate of $1.75 which continued to January 31st,1920. The rate was then changed to $2., and that has remained in effect to October 31st, 1921. Changes were made with reference to the other gas plants at Oshawa, Cobourg and Napanee.

Q--Would the percentage of increase be approximately as high in those places as in Peterboro? A--Yes, in fact slightly higher. For instance, Cobourg and Napanee the rates were $1.25 on July 31st, 1917, when they were changed to $1.50 to May 31st, 1918, then to $2. in January 1920, then to $2.50 from February 1st,1920, to October 31st,1921. So that the rates in effect at October 31st,1921, were double the rates in effect at July 31st,1917.

COMMISSIONER J. A. ROSS: Q--Since the rates were increased was the consumption increased also?

A--In Peterboro the consumption was increased from approximately 45,000,000 feet in the year ending October 31st, 1918, to a little over 61,000,000 feet in the year ending October 31st, 1921. The Oshawa consumption was about the same in the year ending October 31st, 1921, as it was in 1918, but in the intervening years it was from two to three million feet higher. It went from 28,700,000 in 1918 to 30,200,000. Then to 31,200,000, then back to 28,400,000.

Q--All of which served to increase the revenue and decrease these deficits year by year ? A--Yes, the fact that the consumption has not decreased. The only one that has shown a decrease consistently has been Napanee.

COMMISSIONER HANEY: And that is wiped out now.

A--Yes.

THE CHAIRMAN: Q--Has it been sold ? A--No, it has been closed.

Q--So it is producing neither revenue nor deficit now ?

A--No, sir.

COMMISSIONER HANEY: Except as to interest.

THE CHAIRMAN: Q--How is the interest on the Napanee plant being carried now ?

A--I cannot answer that question, Mr. Chairman, I can investigate it.

Q--Well, now, could you give us a similar statement about the water plants taken over ? Have they been profitable or unprofitable, and has any change been made in the rates ?

A--The Trenton Waterworks was sold. Up to the time it was sold it had produced a net profit. It was sold to the town of Trenton on January 1st, 1919, up to which time it had produced about $3800 profit.

Q--What did that waterworks cost the Government, tangibles and intangibles ? A--The replacement value of the tangibles, as determined, was $20,000 even, and intangibles $4,377, a total of $24,377.

Q--What price did the Government obtain for it ?

A--Well, the loss amounted to $2,270.64.

Q--What was done with the money received for that ?

A--Put into the general bank account. In fact, the money was not received, a small part of it was received. The principal consideration paid by Trenton was debentures, but as these are converted into cash they would, of course, go into the general bank account. There is $ 20,003.56 of 5 per cent debentures still owing by the town on account of the purchase of the waterworks.

COMMISSIONER HANEY: Should that money not have been returned to the Government that was paid over for this property ?

A--Not if it was reinvested in other property. I don't think there is any provision here for the refunding of these moneys which were advanced by the Government, just so long as the money or the equivalent is reinvested in other property, I don't think there is any obligation to return it.

THE CHAIRMAN: Q--What about the other waterworks, Mr. Bonthron ?

A --The Cobourg waterworks has shown a loss in total for the period from March 1st, 1916, to October 31st,1921, of

$27,783.69.

Q--Have any changes been made in the rates? A--Yes, sir.

Q--What? A--In 1920 some changes in rates were made effective on the expiry of the franchise. The franchis expired on Oct.1st,1919. It was a ten year franchise and, as of that date, I assume the rates were increased, so that the loss has now been overcome.

Q--You do not know what changes were made in the rates?

A--I do not think I have the change made in the rates.

Q--Well, if you haven't don't bother. What other water-works? A--No more, only other miscellaneous property, Peterboro Radial Railway.

Q--What is the history of that financially?

A--There was a profit for the period from March 1st,1916 to October 31st,1917 of $1,848.00. Then for the year ending October 31st 1918 there was $12,323.00 loss. In 1919 a loss of $20,779.00; in 1920 a loss of $21,205.00. and in 1921 a loss of $33,031.00. So that the loss for the period to October 31st,1921 is $85,490.00.

Q--Have you got Mr. Clarkson's statement showing what the loss is for the year ended 31st October last?

A--It is shown here for the year ending 31st October,1922, a deficit of $34,218.20.

Q--What is the total deficit of operating that Railway from the time the Government took it over until today?

A--$119.708.86.

Q--Anything further about that Railway Mr.Bonthron? Has the capital cost been increased at all?

A--I don't know whether it will show that in detail. I have notgot the capital cost separated here, Mr.Chairman.

Q--What other items were there that you have not touched on. There was the flour mill? A--Near Campbellford

Pulp Mill, yes sir, but that does not enter into our accounts.

Q--That wasn't operated at all? A--It wasn't operated, no sir.

Q--I think it was used in connection with one of the Generating Plants that was established? A--It might have been, but there have been no separate accounts kept for any expenditures in connection with it.

Q--Wasn't there some pulp land bought? A--Yes, sir, the Bruton Township limits.

Q--The pulp land was bought in order that timber might be available to use in the mill? A--Yes, sir.

Q--What was paid for that? A--$300,000.00.

Q--And how does that account stand today?

A--Well, there was a cash payment of $75,000.00, and the balance was paid in debentures of the Province, $225,000.00.

COMMISSIONER HANEY: Q--Bearing what interest?

A--They were 5% ten year debentures, maturing on July 2nd, 1927.

THE CHAIRMAN: Is there a Sinking Fund provided for this? A--Yes, sir.

Q--Sufficient to wipe it out at the end of ten years?

A--No, sir, the Sinking Fund is on a 30 year basis, 4% interest, so that necessarily those bonds, or part of them at least, will require to be re-issued.

Q--Considering the nature of that limit is that a reasonable time to provide for payment of the bonds, 30 years?

A--Well, that depends entirely on the length of time that, with a normal operation, the land would be cleared, and I understand that it will be approximately 30 years, except that provisions are made for increasing the Sinking Fund in the event that the limits are depleted within a

shorter period.

Q--They have been depleted to a certain extent?

A--Naturally, but I believe that the present provision for sinking fund is in excess of the amount of actual depletion that has occurred.

Q--So you have no criticism of that, you think it is a fair provision? A--No, I think it is all right.

Q--Now, is that all the assets? A--I think those are all, Mr. Chairman.

Q--Well, now, the original cost was $8,350,000.00?

A--Yes, sir.

Q--Has that been increased in any way since then.

A--Yes, sir, it has been increased by expenditures amounting to $3,394,602.47 to October 31st,1921.

Q--And have you got the figures for this past year?

A -Not separately. In this last year they have amounted to approximately $610,000.00.

Q--What does the total cost of that Central Ontario System stand at today as of 31st October? A--I only have that to September 30th,1922. In those figures the cost there was $12,169,665.00.

Q--In what years was that expenditure, have you got it year by year? A--I haven't got it except in the property accounts. We have shown the changes from year to year.

$910,000.00 was spent between March 1st,1916 and October 31st,1917; $584,000.00 in the year ending October 31st,1918; $402,000.00 in the year ending October 31st,1919; $603,000.00 in the year ending 31st October,1920; $904,000.00 in the year ending 31st October,1921; and $610,000.00 in the year ending 31st October,1922.

Q--Now, was that amount the whole of the appropriations made by the Legislature for Central Ontario for that period?

A--No sir. There were funds and advances for the Central Ontario System that were used by the Hydro Electric Power Commission for the purposes of other systems.

Q--How much? A--$1,719,472.22.

Q--Well, that was specifically voted by the Legislature for the Central Ontario System. What authority had the Commission to take that and use it in other systems?

A--That is a question I cannot answer, Mr. Chairman. We haven't seen any authority. These funds were returned to the Province on October 31st,1921.

Q--They were paid back to the Province? A--Yes, sir.

Q--So that now all this money that was diverted from the Central Ontario System and put in other systems has been paid back to the Province? A--Yes, sir, and the Central Ontario System received credit for all interest on that money during the period that it was used for the purpose of other systems, so the Central Ontario System did not in the end suffer any loss through that.

Q--They did not suffer any loss? A--No sir.

Q--But that was apparently diverted without any legal authority for doing so? A--Yes, sir.

THE CHAIRMAN: Mr. Bonthrun, it is now 5 o'clock, and I think we will adjourn until 10.30 tomorrow morning. Will you be ready?

MR. BONTHRON: I will be here, sir.

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The Commission adjourned at 5. P.M. 28th November, 1922, to 10.30 A.M. 29th November,1922.

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MORNING SESSION 29TH NOVEMBER,1922

WILLIAM D.BONTHRON (Examination Continued)

THE CHAIRMAN: Q--You have with you the cash value of those ten year bonds, have you? A--Yes, sir.

Q--Mr. Bonthron, have you made any calculation of the difference in value between 50 year bonds at 4% and the 10 year bonds which were actually given? A--Yes, sir.

Q--What is the difference? A--Well, on the face of a 5% interest return the value as at the date of issue of $8,350,000.00 debentures with annual interest at 4% , the ten year debentures would have a cash value of $7,705,206.00 The 50 year debentures would have a value at date of issue of $6,825.597.28. So that the cash value of ten year debentures at date of issue was slightly in excess of $880,000. since this calculation is made on the basis of annual interest.

Q--The memo I have here, Mr. Bonthron, shows -

A--This calculation is made on the basis of annual interest whereas the interest on the bonds was payable semi-annually.

Q--The memo I have here, as I say, shows slightly more?

A--Well, the effect would be to slightly increase the difference.

Q--So that by having the bonds changed from 50 years to 10 years the holders of the bonds would have an advantage of over $880,000.00. A--Yes sir.

Q--Well, now, I think we were told yesterday that the reason for the change was that the Nipissing plant was put in? A--Yes, sir.

Q--Now, at what value was the Nipissing plant placed in the valuation made by the Hydro? A--The depreciated value of the tangible assets of the Nipissing System was $309,200.00.

Q--So that if the change in the bonds resulted in an advantage to the holders of $880,000. and they gave the Nipissing in exchange what would be their net profit?

A--$571,000.00.

COMMISSIONER R.A. ROSS: Q--Would that be a fair way of estimating it, Mr. Bonthron? There is a certain bond issue out against the Nipissing; there is a certain bond issue out against the whole property. If the cash was supposed or pretty nearly paid the bond notes for the whole thing, would it be fair to make the bond issue of the Nipissing the testing point, somewhere about $500,000. if I remember rightly, as compared with the cash?

A--It depends on the conditions under which the purchase is being made. If they were buying it on the basis of taking care of all the bonds that were outstanding that might be true, but if on the value of the property a depreciated value of the tangible property would be the basis.

Q--They added the intangibles to the tangibles?

A--Yes, they did. We do not know how they arrived at the book value or at their value of the intangibles attached to the proerty.

THE CHAIRMAN: Q--They had been put on the market and sold at that time, or if they had been put on the market and sold at that time on the 5% basis the holders of those bonds, of the 10 year bonds, would have received, according to you, I understand, over $880,000. more than if they had been 50 year bonds and were put on the market?

A--Yes, sir.

Q--So that the 10 year debentures had a money value over and above the 50 year debentures of over $880,000?

A--Yes, sir.

Q--Could you tell us something about the Nipissing System

and how you found that, according to the books?

A--We have determined the loss down to October 31st, 1921. We have not the figures to October 31st,1922, but they are being prepared now, showing the profits and losses.

Q--I mean the Nipissing System? A--Yes, for the Nipissing System. We have here the losses to October 31st, 1921, $35,651.13.

Q--I understand that, in that case, there was a contract with the old Seymour Company and the City of North Bay whereby the Seymour Company agreed to supply power at a certain price? A--Yes, sir.

Q--And the Government, in taking over that system, had to take it subject to that contract? A--That is true.

Q--Then they had to supply those places at a loss, did they? A--Well, the total revenues of the Nipissing System from March 1st,1916 to October 31st,1921 amounted to approximately 92% of the cost of producing and distributing the power to North Bay and the three other villages.

Q--So there was a loss of 8%,? A--Approximately 8%, yes sir.

Q--And that loss amounted to altogether --?

A--Well, up to October 31st,1921, it was $35,651.00.

Q--Now, you perhaps heard evidence that was given yesterday by Mayor Ferguson of North Bay, and Mr. Jeffery, regarding that development at Bingham Chute. Do you find in the records anything about the estimates for that work at Bingham Chute? A--Yes, sir. In the estimate for the year ending October 31st,1922, there was included $45,000.00 on account of Bingham Chute, and in the estimates for the year ending October 31st,1923, for Bingham Chute, there was included $300,000.00, so that for the two years

there is a total of $345,000.

THE CHAIRMAN: Will Mr. Jeffery be up here?

MR. IRELAND: Yes, I believe he will be here shortly.

THE CHAIRMAN: There seems to be a difference in the estimates and the amount that was mentioned yesterday. Doubtless he can explain that.

THE CHAIRMAN: Mr. James was going to bring the estimates for the Chaudiere.

MR. IRELAND: Mr. Jeffery told me this morning he was coming. He didn't say anything about Mr. James.

THE CHAIRMAN: Q--Now, what provisions are there for renewal of the franchises, that is, with the municipalities; are the municipalities entitled to take the properties over?

A--I have a memorandum here somewhere on the gas franchises, I think that is what you are referring to?

Q--Yes, the gas franchises. A--The Oshawa Gas Franchise was dated February 16th,1907. It runs for a period of 30 years to February 17th, 1937. The Municipal Corporation of Oshawa has the option to purchase the property at the expiry of the first 20 years at a price of a going concern, with no value to be allowed for goodwill or franchise of the business.

Q--What was the tangible value placed upon this gas works?

A--At March 1st,1916, the tangible value was $96,340.

Q--What are the intangibles? A--The intangibles were $21,084.

Q--If Oshawa were to exercise that right and take over the gas plant would it have to pay anything for the intangibles paid for by the Government ? A--No sir.

Q--Nothing at all? A--No, sir.

Q--So that they would have to be sold at a loss?

A--To the extent that the intangibles values might not by that time have been reduced through probable excessive

provision for renewal of the tangible assets. I stated yesterday that the rates were revised within the restrictions of the Franchises, that they were increased.

Q--Have the rates now been increased to the limit allowed by the franchise? A--They exceed the rates fixed in the franchise.

Q--What are the rates fixed? A--The rates were, for lighting, 1.60 per thousand cubic feet. For cooking, heating and commercial use 1.25 per 1000 cu.ft. Then these rates are to be reduced when the consumption increases by 10 cents per 1000 cu.ft., that is, when the consumption reaches 10,000,000 cu.ft., the prices are reduced 10 cents, and when the consumption reaches 20,000,000 cu.ft. there is a further reduction of 10 cents per 1000.

Q--Have those amounts been reached?

COMMISSIONER HARRIS: That is 10,000,000 cu.ft. per annum, is it ? A--Yes, sir. The consumption is nearly 30,000,000 cu.ft. in Oshawa per annum.

THE CHAIRMAN: Q--It is now nearly 30,000,000 cu.ft.?

A--Yes.

Q--Were those reductions made? A--In Oshawa the rates are now 2.15 which is in excess of the maximum provisions under the franchise, but that increase to that rate has been effected by the Hydro Commission with the consent of the municipality.

Q--Of Oshawa? A--Yes, sir.

Q--So then no reductions were made? A--No, sir, there have been increases.

Q--Is that 2.15 applied to gas used for -- ?

A--For any purpose. It is a flat rate now.

Q--So that is the minimum rate? A--It is the only rate.

In the case of Peterboro the franchise was granted on September 28th,1869. Apparently it does not contain any date as of expiration, nor any restriction as to the rates which may be charged for gas.

COMMISSIONER HANEY: Q--Or any provision for taking it over by the city in any way? A--No, sir. The Cobourg Gas Franchise contains no restrictions as to rate.

THE CHAIRMAN: Q--As to the Peterboro Gas Works, have you told us already what the rates are there?

A--Yes, sir, I mentioned that yesterday. I put all those rates in yesterday. In Cobourg, the Gas Franchise there has no rate restriction and no date of expiration. In Napanee there is no existing franchise, the works are closed.

Q--At what figure was the Napanee Gas Works taken over?

A--$42,758. was the figure at which they were taken up in the books of the Hydro.

Q--Any intangibles added to that? A--That is the total value, Mr. Chairman.

Q--Intangibles and all? A--Yes, sir.

THE CHAIRMAN: Mr. Jeffery, will you please come up here.

Q--Mr. Bonthron, that included intangibles to the extent of $7,677.000., so unless that plant can be sold, disposed of, that would be a loss? A--Yes sir.

THE CHAIRMAN: There was a matter brought up before you came in, Mr. Jeffery, perhaps you might clear it up. I understood, perhaps I am mistaken, that you said the cost of the Bingham Chute undertaking would be about $150,000.

MR. JEFFERY: I have looked that up since, I believe it runs about $180,000.

MR. JAMES: About $170,000. in the estimate for

the equipment that we have there.

Q--That includes that, does it?

MR. JAMES: Well, excluding that. There are generators and transformers that are now on hand that will be used in Bingham Chute.

MR.JEFFERY: We are going to take the generator that we have taken out of the Nipissing plant and put it in the Bingham Chute development, and there is a bank of transformers there which we can use, so that will not be in capital.

THE CHAIRMAN: Well, then, Mr. Jeffery, why is it you put in estimates for $345,000. of money required for that?

MR. JEFFERY: For Bingham Chute?

THE CHAIRMAN: Yes.

MR. JAMES: That might include some of the storage dams.

COMMISSIONER HANEY: All part of the expense, isn't it, necessary expense.

MR.JAMES: Yes, but the storage dams are in.

COMMISSIONER HANEY: That is all a part of the development.

MR. JEFFERY: When you speak of Bingham Chute alone, of course, it would not include the storage dams. Of course, I don't know just what that includes. Mr.Gaby would know that offhand. We had figured, of course, on the Bingham Chute Development, and we also figure later in going ahead with the enlargement of the Nipissing Generating Station. Now, part of that may be in here, I don't know.

THE CHAIRMAN: I think that had better be cleared up.

MR. JEFFERY: We cannot go ahead with the further development of the Nipissing station, that is, to change the generator, until we have some power from some other

source while this plant is shut down. We have to go ahead with Bingham Chute, and it is possible that part of the cost of that may be in that estimate, I don't know. I cannot explain all those details.

THE CHAIRMAN: We mentioned yesterday, you know, what it would amount to for horsepower, storage dams are required. Shouldn't that be included in the cost of any horsepower from that development.

MR. JEFFERY: Oh, yes.

THE CHAIRMAN: Of course, it makes a vast difference from $150,000. to $345,000.

MR. JEFFERY: Yes.

COMMISSIONER R.A. ROSS: Wouldn't your storage cost be charged to both developments?

MR. JEFFERY: It should be.

COMMISSIONER R.A. ROSS: What you were talking about yesterday was the cost of the Bingham Chute Development?

MR. JEFFERY: Yes.

THE CHAIRMAN: Have you got copies of the estimates put in?

MR. JEFFERY: That is, to the Government?

THE CHAIRMAN: Yes, have you got copies of the estimates that were put in to the Government?

MR. PIERDON: There will be copies at the office with the appropriations required on all works.

THE CHAIRMAN: Could you telephone, Mr. Pierdon, and have them sent up here?

MR. PIERDON: I could go and get them, Mr. Chairman, probably much quicker.

THE CHAIRMAN: We will just drop that then for the moment.

MR. JEFFERY: I am sorry I was not here at the openin

but I was getting the estimates on the French development.

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EXAMINATION OF MR. BONTHRON RESUMED.

THE CHAIRMAN: Q--Mr. Bonthron, what provision has been made in this system for ~~the~~ renewals?

A--The total amount to the credit of the Renewal Fund provided from March 1st,1916 to October 31st,1921 was $1,044.426.52.

Q--Have you got the amount down to the end of last month? A- No, sir, I haven't got the figures here.

Q--Well, now, what has been done with that?

A--To an extent, it has been invested in working capital of the system. The balance of it has either been invested in additions to the properties or has been lost in the operations.

Q--Well, perhaps you could show? A--Well, it cannot be separated.

Q--Can't it? A--No, it is just as though it were a common bank account into which the whole amount was paid and disbursements made from it. I could give you those figures which probably would make it clear. The net cash advanced by the Province from March 1st,1916, to October 31st,1921 was $2,698,712.28, in addition to which the Province turned over the proceeds of 5% debentures issued in connection with the Purchase of the Bruton Township Pulpwood areas $225,000.00 , and the total cash that became available through the setting up of these reserves, sinking fund, and contingencies, amounted to $1,081,044.67, representing a total of $4,475,000 odd out of which there was expended on addition to the properties, including the Bruton Township pulpwood areas, $3,394,602.47. The working capital increased in the period $441,224.83, and the loss

from operations to October 31st,1921 amounted to $168,930.1

Q--That $700,000. odd was used for purposes similar to the capital amounts advanced by the Government? A--Yes, sir, only it was not $700,000. it was over a million.

Q--But then part of that was taken up in other ways, deficits? A--Well, you would have to proceed on the assumption, Mr. Gregory, that the amount advanced by the Province was used solely for the purpose of additions to the properties. If you do that then, of course, the reserves were partly used for additions to working capital and partly to overcome the loss in operations and the balance went into the capital account.

Q--I think you should take it that all amounts advanced by the Government were used as capital expenditures.

A--Well, then, if you proceed on that assumption, the total reserves were used in this manner: $144,674.83 was used to increase working capital; $168,930.15 was lost through operations of the system, and $767,439.69 was invested in capital assets amounting, for the total of these reserves, to $1,81,044.00.

Q--If that $767.000.odd had not been used and gone into capital assets, the appropriations by the Government ought to be that much more. A--Yes sir.

Q--Have you seen the requests submitted to the Government for appropriations, copies of requests submitted to the Government for appropriations? A--We are examining those at the present time.

Q--Do the estimates show so much for Central Ontario, or do they show for what purpose it is to be used?

A--I cannot answer that question at the moment.

THE CHAIRMAN: Q--You don't know, Mr. Jeffery?

MR. JEFFERY: No.

THE CHAIRMAN: I think you should examine those estimates submitted and see what particulars are contained in them.

MR. BONTHRON: I said, Mr. Chairman, that we are now examining all of those estimates in connection with the examination of the minutes we are making.

COMMISSIONER R.A.ROSSF Before you leave that question of renewal and replacement, your statement indicates to me that the net earnings of that property exceed the disbursements on capital account and operating by $667,000.odd, is that right ? A--No, sir.

Q--You have given here a statement that $1,044.000. has been spent in excess of operating fixed charges?

A--No , sir.

Q--Less the losses occurring each year, that you take out $170,000. worth of losses during the operating period and you have then got $667,489.00 left? A--No, sir.

Q--Explain why. A--Well, if no provision was made for depreciation or accruing renewals of the properties, it is true that the earnings there would have been shown, apparent earnings, and the difference between the total price for nenewals of $1,044.000. and the actual loss that occurred of $169,000., but it could not possibly be called net earnings or net profits without adequate provision for depreciation and accruing renewals of the properties.

Q--Up to that time the properties had been

maintained in operating condition? A--Well, at least they were operating, yes sir.

Q--Presumably they will do so in the future. A--Yes sir

Q--And a charge to operating is adopted against that accoun

A--That is true.

Q--Then you will always have a surplus of some kind left,

That is merely my understanding of it?

A--Yes. It is true that there is depreciation. Properties must be maintained to a certain percentage of their original cost, or else they will not be in condition to operate. In other words, if the properties are not maintained to something like 70 or 75 per cent of the original value it would not be possible to operate them at all, therefore, they are ordinarily maintained up to that per cent condition out of current maintenance charges, and the reserve for renewals requires to be provided to take care of depreciation. So that when the renewal reserves are brought to a figure that offsets this average accrued depreciation that is in the property they naturally do not require to be built up beyond a certain point. Probably somewhere around 30 to 35 per cent of the total value of the property would be all that would be needed to be maintained in the depreciation reserve.

Q--As a matter of fact, isn't a depreciation account a theoretical amount allowed at the beginning of operations in order to cover possible contingencies for replacements, and so on, and it is perfectly correct to say at the end of any year that we have a surplus of so much in that account ?

A--It is provided for two purposes, firstly, to spread over a period of years the cost of replacements that occur at intervals of years, and secondly, to build up to an amount that will represent the average accrued depreciation in the property when they have reached an operating standard at which they are required to be maintained. Is that clear, Mr. Ross ?

THE CHAIRMAN: Q--If a machine becomes what they call obsolescent, or out of date, and a new machine is put in, would the cost of that new machine come out of the renewal

fund ? A--To the extent that it was a replacement, and the cost of the machine originally in the capital account, it should be charged against the replacement reserve. In other words, if the original machine cost $500 replaced by a new modern machine costing $700, $500 of the cost of the new machine should be charged against the depreciation or renewal reserve.

Q--And the other $200 out of capital ? A--And the other $200 would be paid out of capital, that is, on the assumption that the renewal reserve had been built up sufficiently to provide that amount of depreciation against that particular machine.

COMMISSIONER R. A. ROSS: You might call it a betterment, in a way ?

THE CHAIRMAN: Yes.

Q--Having regard to the character of this plant, and the possible calls upon this fund, do you think it is fixed at a reasonable amount, or that it is too high or too low ?

A--Well, I think it is entirely adequate, but that is only an accountant's opinion. You will have to get an engineer's opinion on that, Mr. Gregory.

Q--Are there any sinking funds for the System ?

A--Yes, sir.

Q--Is it customary to have sinking fund in a System of this kind ? A--Well, they are provided for in the Hydro operations under the Power Commission Act, of course.

COMMISSIONER R. A. ROSS: Q--Before we leave that point, would the matter of depreciation or renewal allowance apply to the intangibles ? A--No, sir.

Q--Would it apply to the gas and water rights, and things of that kind ? A--Those water rights would be considered as having a perpetual value.

Q--No depreciation ? A--No depreciation on those.

Q--And no renewals ? A--No, sir, except that there might be renewals required on dams.

Q--The dams are not any part of Hydro in this case. There would be certain equipment that would have a very low depreciation ? A--Yes, sir.

Q--And there would be others that would be fairly high ?

A--That is true.

Q--So that you cannot take a uniform percentage over your whole properties in order to reduce your renewals account ? A--This was written up on the basis of calculating each unit of property, determining its life in years, estimating its residual value, the amount of depreciation required to be provided, and then after determining the total amount of depreciation required the amount required in each year is determined on sinking fund basis, and the weighted average basis was determined on the total value of the property.

THE CHAIRMAN: I suppose if there were storage dams it would apply to them.

COMMISSIONER R. A. ROSS: Owned by the Commission, yes, not owned by the Government.

THE CHAIRMAN: No. We were told some time ago that they contemplated storage dams. Are there any storage dams now ?

MR. IRELAND: No, there are none now, Mr. Gregory, except some improvements of dams owned by other people on the Central Ontario System.

THE CHAIRMAN: Does the Province own any dams ?

MR. IRELAND: No, the Province did own some of the storage dams on the upper waters of the Trent, but those were turned over to the Dominion some twenty years ago. The Dominion owns all those dams now. On the Nipissing they are owned by the Commission.

MR. JEFFERY: Installed very recently.

MR. IRELAND: The Commission does contemplate installing storage dams on some of the tributaries of the Trent.

THE CHAIRMAN: What do you call those works such as you have constructed at Ranney's Falls, where the water goes through to the generators ?

MR. IRELAND: The only work constructed there by the Commission was the power development. The dams of the Government and all those structures were part of the Trent Valley Canal and provided by the Dominion of Canada. The works installed by the Commission consist of power house and fore bay, that takes water from the canal itself to the power house and the tail race.

Q--The fore bay, that wasconstructed by you? A--Yes.

Q--And that is your property although it is right on the river ? A--Yes.

COMMISSIONER HANEY: Q--When you say the storage dams are owned by the Commission you mean the Hydro-Electric Power Commission I suppose ? A--Yes, sir.

Q--Well, that really is the property of the Government, is it not ? A--Oh, yes.

THE CHAIRMAN: Q--You said it wasn't the property of the Province . You say the Hydro doesn't own anything there? A--I use the two as being one in that case. I meant that there were no storage dams on the Trent waters at the present time that are owned by the Province outside of the Commission.

Q--The Commission owns nothing there, it is all owned by the Province, but when you speak of it being owned by the Hydro, you mean the Hydro operating as trustee for the Province? A--Yes.

COMMISSIONER R. A. ROSS: Q--Then there are some

storage dams on the Trent System owned by the Provincial Government ? A--No, except in the nature of some improvements on the Crow River, improvements put in for the purpose of holding enough water during the summer months.

COMMISSIONER HANEY: Q--Where is that,above or below Healey Falls? A--Below.

THE CHAIRMAN: Q--How much has been expended on those dams ?

A--On repairs to storage dams ?

Q--Yes? A--Oh, it is a small amount. I should say, speaking only from memory, I don't think it exceeds $5000. In fact, I don't think it is that much. There were some repairs made to the dams at the foot of Potash Lake, and some at Tangamong Lake and some on the dam at Kasshabog. Those are all on the waters of the Crow River.

Q--And the total does not exceed $5000 ? A--The total does not exceed $5000.

(Examination of MR. BONTHRON resumed)

COMMISSIONER HARRIS: Q--Is that a usual way of dealing with a situation of this kind? Would it be usual, in carrying on your business, I mean this question of renewal providing that renewal fund ?

A--What page are you on now ?

Q--Page 9. A--It is a usual way, yes, not only in an operation of this kind but in any commercial business, to show the source from which funds have been obtained, and the disposition that has been made of them.

Q--Well, to put this on a parity with a commercial operation wouldn't you have to take that amount that is set up here for renewal fund out of new capital that has been supplied to the company? A--No, it is that part of the earnings

that do not require to be paid out in cash in an ordinary commercial business.

Q--Those are not taken from the earnings, they are taken from the amount that the Government provided there ---

A--In fact, this $1,044,000 of renewal reserve is taken out of earnings. It is true that the earnings were insufficient to provide the whole amount of it, to the extent of $169,000, but nevertheless if no provisions had been made for renewals whatever beyond the ordinary maintenance charges, the system would have shown about $875,000, or some such figure, of earnings for the period. So that these are charges against the balance which produced the net profits or loss. They have no relation to capital, except that by making those charges against earnings and, in turn, charging Municipalities for amounts approximating the costs of the services rendered we obtain an equivalent amount of cash which, in this instance, has gone back largely into the profits.

COMMISSIONER HARRIS: Yes, that is just the question I wanted cleared up.

COMMISSIONER R. A. ROSS: In other words, when you say there has been a deficit on the System of $170,000 during the period under consideration you mean that, included in that statement already, are these excess cash earnings of about $800,000. That statement is not quite clear to you, Mr. Ross. You produce a general statement showing that your total losses on the whole system during a period of years amount to $170,000 ? A--That is true.

Q--Included in that item is one item for renewals, which has not been expended, of about $800,000 ?

A--Of $1,044,000.

Q--Of course, taken out of that has been those losses of $170,000 ? A--No, that has been taken out of the revenues resulting in the loss of $170,000.

Q--You are right, the million dollars was included in the first statement? A--Yes, sir.

Q--Where you show $170,000 of a loss? A--That is true.

COMMISSIONER J. A. ROSS: Practically a surplus account, isn't it ? A--It is surplus only to the extent that it represnnts provisions for renewals and depreciation of the properties.

Q--Well, that is surplus ? A--If the properties have depreciated a million dollars in this period, or rather are worth now a million dollarsless than they were on March 1st, 1916, which is the basis on which the reserve has been provided, then there has been an apparent loss on that system of $169,000 to October 31st, 1921.

COMMISSIONER R. A. ROSS: Q--Is there a surplus today? A--No, sir, not on the basis of the renewal provisions which have been made, and I told the Chairman that I cannot pass on the adequacy or inadequacy of this, that is purely an engineering question.

Q--But there has been a cash surplus today, has there not ? A--There would have been a cash surplus if the funds had not been reinvested in the property again.

Q--Supposing, for instance, that you were selling this property today, you would have that surplus in cash, wouldn't you? A--No, sir, you have spent it already, Mr. Ross, it is in the properties.

COMMISSIONER J. A. ROSS: Q--Some of it must be liquid, Mr. Bonthron?

A--A very small part.

Q--Whatever is liquid must be cash surplus ?

A--If you sold the properties today and they had actual depreciation there would be no cash surplus, or any other kind of surplus.

COMMISSIONER HARRIS: There would be a surplus if these amounts had not been transferred to your renewal fund.

A--Only in the event that you could obtain an amount equal to the value of the property at March 1st,1916, without depreciation.

COMMISSIONER R. A. ROSS: Supposing there had been a surplus when the Government took it over who would have got it?

A--I think the owners would have retained it.

COMMISSIONER HANEY: The old company would have held it if it was in cash. They held everything else ?

A--They held all cash funds.

THE CHAIRMAN: It might be necessary to draw on this renewal fund next year, or this year to the extent of half a million dollars.

COMMISSIONER HARRIS: They haven't got it.

THE CHAIRMAN: Of course, they would just have to get the money. They have lent the money to the Government in a sense.

A--That is a fact, they have used it by putting it into the properties.

COMMISSIONER HARRIS: That is the point I was asking you.

THE CHAIRMAN: Q--Is that a proper investment of the renewal fund? A--Yes, sir.

Q--Should it have been kept in liquid form, or is it quite proper to do it in that manner ? A--It is not improper to have invested it in the properties as they have done. It is what is done in the ordinary commercial business.

Q--It strikes me as all right. If the Government had been called on for that $700,000 they would have had to put it up and pay 6 per cent on it ? A--Very likely.

COMMISSIONER R. A. ROSS: In other words, it is not a Trust Account like sinking fund ? A--No, that is true.

COMMISSIONER HANEY: Is there any evidence that they informed the Government they were reinvesting this money in capital account?

A--Well, they have shown the Government each year, Mr.Haney, in the public account of the Hydro-Electric Power Commission just what they have done.

Q--They have not indicated in their request for appropriations that they would require this amount of money ?

A--Not that I know of, no sir.

COMMISSIONER HARRIS: Do you find that in any of the other Systems, for instance on the Niagara System, that they have asked for an appropriation from the Government and then taken that money and put it into a renewal account ?

A--No. I think that when they have asked for appropriations it has been with the idea of spending that amount of money for capital account only. They did get appropriations on the Central Ontario System specifically for working capital $296,550.

COMMISSIONER HARRIS: Isn't that all that they should be able to put into, for renewal reserves, the amount that they applied for to be appropriated for capital account ?

A--I do not see that they have any relation, Mr. Harris.

Q--Well, this is what I have in mind : Supposing that I went out and bought a property and paid $5,000,000 for it. I get that property just as it stands, then I have to go out and finance another $3,000,000. I go out and sell bonds, or stock, or whatever securities I have for the purpose and I get in $3,000,000. That comes into capital, doesn't it? A--Yes, sir.

Q--Have I a right to take a million or a million and a quarter of that and put it in reserve account? Is that done, is that actually done in ordinary commercial practice?

A--No, it is not.

Q--Well, why is it done here, why can they do it here?

THE CHAIRMAN: I do not see that it has been done.

COMMISSIONER HARRIS: Well, there has been four million odd dollars here.

THE CHAIRMAN: That has been paid back. They paid back $1,700,000 to the Government out of their appropriations in cash.

A--Is this the idea, that funds to the extent of a little over a little over $1,080,000 became available to the Central Ontario System through the provisions made in the charges for services to consumers in respect of reserves, they received that amount of cash. Now, then, they have reinvested it in the properties of the System.

COMMISSIONER HARRIS: Q--That goes into capital investment ? A--Yes, sir.

Q--Why don't they call it Capital ? A--They do, it is Capital on the books; it is charged up instead of being written on the cash, or instead of being set aside in bonds or marketable securities, so that it would be available for use if they were called on to spend a considerable amount for renewals at any time. They have merely reinvested that amount in the properties, by picking up additional properties, to replace the depreciation of the properties that has occurred.

COMMISSIONER HANEY: Q--But they secured this money for renewal purposes ?

A--Yes, sir.

Q--Would they have had any right to divert it to cover losses of the System? A--I don't think it is diverted.

Q--They had no right to cover any loss that might be entailed in the System ?

A--Of course, they have no right to use it for that purpose, that is true.

COMMISSIONER R. A. ROSS: Q--Isn't that precisely the same case as a manufacturing plant, where a man has an investment of a million dollars in his plant. He has surplus earnings. Instead of going to the Bank for an additional amount of money to build a new factory, or an addition to the old factory, he takes it out of that surplus account ?

A--In other words, in extending his business he uses a part of the earnings to increase his capital or fixed investment to that extent. He has a surplus accumulated on the other side of the balance sheet. That surplus he cannot pay out in cash, because it is invested in the property, therefore, isn't available to be distributed, or in the case of a company it cannot be distributed to stockholders until such time as the company will declare a stock dividend, because all of that surplus has become a fixed investment in the business.

Q--The question naturally arises in a case of that kind as to whether the owners of the properties are not entitled to their earnings rather than have it put back into the properties for someone else? A--And the only way that position could be met is to finance those capital charges by long-term bonds, by the sale of additional stock.

THE CHAIRMAN: If he needed money for the purpose for which the renewal fund is created he would have additional capital, and would be justified in selling more stock, or he could increase his bond issue and raise the money in that way?

A--That is true. I do not see any criticism that can be made of these methods.

Q--And supposing a private undertaking were handling it, these profits were in the hands of a private undertaking, would it not be according to sound business principles for them to set up a similar renewal fund? A--Yes, sir, it would be.

Q--That is the ordinary and proper thing to do? A--That is the ordinary and proper thing to do.

COMMISSIONER R. A. ROSS: Q--That $1,044,000 was not obtained from the Government, it was earned by the properties in excess of what they paid out in cash during that time, with the exception of the $170,000 of loss ?

A--No, Mr. Ross, it was not earned. It represented an accumulation of cash through the provisions made for depreciation and accruing renewals to the properties, through the renewal fund principally. I speak of this only, because there were some other funds, of course.

Q--Where did they get the money for them, from their customers ? A--Yes, sir.

Q--Then they earned it ? A--No, they didn't earn it, they received it as revenues but they didn't earn it.

Q--It was revenues ? A--Yes, true enough.

Q--It was not obtained from the Government, it was earned from revenues? A--Yes,sir.

Q--It was not obtained from any capital the Government furnished? A--That is right.

THE CHAIRMAN: Q--They earned the interest as much as they earned that ? A--Yes, sir.

Q--Now, what about sinking fund ?

A--The sinking funds are being provided on the Central Ontario System, in connection with the Oshawa rural lines, the Bruton Township pulpwood areas, and the mill operated in connection with the Campbellford pulp mill.

COMMISSIONER HARRIS: Q--You have got a couple of others, Whitby Township and Picton ?

A--Those are the Oshawa rural lines.

Q--Then what about Picton ? A--We are coming to that. No provision has been made for Picton.

Q--They haven't made any yet? A--No. I am told these are properties in respect of which provisions are being made.

THE CHAIRMAN: Q--How much sinking fund has been create

A--To October 31st, 1921, a total of $28,665.54.

Q--And in what form is that sinking fund ?

A--Well, it is not earmarked as cash or bonds. It has been handled in the same way as the renewal fund.

COMMISSIONER HANEY: Q--All put in the same book?

A--They are all in one book.

THE CHAIRMAN: Q--Is that a proper way to deal with the sinking fund ?

A--It is perfectly right to use the sinking fund in this particular instance to increase the working assets, because they can always obtain from the Province such advances for working capital as are needed, and naturally could replace any amount of sinking funds used for working capital.

There have been made, with certain municipalities on this system, contracts by the Hydro-Electric Power Commission to sell power at cost. These were with the Villages of Bloomfield, Lakefield, Havelock, Marmora, Norway, Wellington and the town of Picton.

Q--Would they be similar to the usual contract made by the Hydro-Electric Power Commission? A--Yes, they are similar, and they provide that a sinking fund shall, in each case, be provided in the case of power, in order to absorb the cost of the property used in rendering the service.

Q--What have they got at Bloomfield, a local distributing plant ? A--No, these are on the basis of contracts to sell power to the municipalities.

COMMISSIONER HARRIS: Q--The muncipalities own their distributing systems ? A--I presume so, I understand that they do.

THE CHAIRMAN: Q--And there is a provision for a sinking fund ? A--Yes, sir.

COMMISSIONER HANEY: Q--On what basis, what term of years? A--I think it is the ordinary Hydro basis, that is, a 30-year basis.

THE CHAIRMAN: Q--When were these agreements made ?

A--Sometime after March 1st, 1916.

COMMISSIONER HARRIS: Q--All of them ?

A--Yes, sir.

THE CHAIRMAN: Q--And have the sinking funds provided for been created ? A--No, sir. No sinking funds have been provided in connection with the service rendered to these municipalities. There are various reasons, it would be a very difficult thing to do.

Q--You might explain then? A--It would be very difficult, first, to determine what properties you would use as a basis for calculating the amount of sinking fund. Then again, you would have power here sold to certain municipalitkes on the basis of cost, including sinking fund provisions, while power was sold to other municipalitirs at cost without any provision for sinking fund, and to other municipalities at fixed rates.

Q--In fixing the rates of these municipalities no item for sinking fund has been charged ? A--No, not as yet, and it would be very difficult to determine how much property that sinking fund should apply to.

Q--That is not provided for in the contracts? A--No, sir.

Q--The contract might define the property that the sinking fund should apply to? A--Well, they never do, and that would have to be changed, you see, as the property was extended, so that it would be a very difficult thing to do.

COMMISSIONER HARRIS: Q--Undoubtedly under some of those other contracts they are supplying power below cost?

A--It is true they are, yes. We discussed that matter yesterday.

THE CHAIRMAN: Q--Well, Mr. Bonthron, should there be a general sinking fund in connection with the Central Ontario System? A--No, sir, there is none required.

Q--I know there isn't, butsupposing these bonds that have

been issued by the Government were held by private parties isn't the practice for them to stipulate that a sinking fund shall be created so that there may be moneys to meet those bonds at maturity, isn't that the general practice?

A--No, sir. They purchase bonds with the idea that they will be refunded at maturity instead of being taken care of during their life from sinking fund provisions.

Q--I am speaking of private corporations?

A--Yes, sir.

Q--Isn't it customary in private corporations to provide sinking fund for those bonds ? A--It is, in some instances, but it is not at all general.

Q--So that there is nothing out of the ordinary in not providing any sinking fund for Central Ontario? A--No, sir.

COMMISSIONER HANEY: Q--In the original letter confirming this agreement, written by Sir Adam Beck, he evidently contemplated sinking fund after ten years ?

A--That is our understanding, a 50-year bond, and that sinking fund would be established after ten years, yes sir.

COMMISSIONER R. A. ROSS: Q--The sinking fund provisions put into the Hydro contracts are intended to provide ownership by the municipalities of their section of the plant at the end of the period are they not ? A--Yes, sir, that is true.

Q--So that it was in contemplation, no doubt, that they would be able to dissect the system, and restore to those municipalities on the same basis as the other municipalities in the Hydro ? A--That is true. Of course, there is one further complication here, in that this system is owned by the Province, operated under the Central Ontario Power Act, and contracts have been made by the Hydro in accordance with the provisions of the Power Commission Act relating to properties that are owned under the Central Ontario Power Act, and there is probably some conflict there as to the

carrying out of the sinking fund provisions under those circumstances.

THE CHAIRMAN: Q--Has the Commission any power to make the contracts ? A--That is a very great legal question.

Q--That is a proper thing for an accountant to pass on in making his annual report? A--No, sir, I would not think an accountant would deal with that at all, Mr. Gregory.

Q--Wouldn't call attention to it ? A--Well, he could call attention to it, yes.

COMMISSIONER HARRIS: The accountant simply has to take the law as it stands. He could make recommendations.

A--As a matter of fact, Mr. Clarkson did in his report of October 31st, 1921, call attention to this condition, with reference to those sinking funds.

THE CHAIRMAN: Q--Has any action been taken ?

A--No, sir. So far as we know, the condition remains as it did then.

Q--You spoke yesterday, I think, Mr. Bonthron, of what has been paid for this property? A--Yes, sir.

Q--And you also spoke of the valuations which have been made by the Hydro. Could you give us particulars of those valuations as you find them ?

A--The only values we have seen of those properties are contained in a report on the Electric Power Company Summary Book 1, by the Ontario Hydro-Electric Power Commission, dated February 15th, 1915. The summary is made up of the tangible and intangible values, of the bond issues, and of the earnings of these properties for the three fiscal periods ending March 31st, 1914. I do not know the basis on which these figures were determined. They have been handed to us in this form.

Q--That would show then, apparently, the financial position of the Electric Power Company that sold these properties to the Government? A--Yes, sir, but as to the authenticity

of these figures --

Q--You just found them in the Hydro books ?

A--In this particular book, yes, sir.

Q--What do you find about the inventory, Mr. Bonthron, the valuation that was put on the assets by the Hydro?

A--Well, this valuation was apparently as of October 1st, 1914. It showed a total replacement valuation of $5,598,411, and a present total valuation, assumed to be the depreciated value, of $4,410,466.

Q--Well, then, that would show the actual tangible value of the whole undertaking that was sold to the Government, would it or not ? A--It is assumed to, yes sir.

Q--Does that include the Niagissing? A--It does, yes sir.

COMMISSIONER HANEY: Q--Were there any additions between 1914 and March 1st, 1916 ?

A--Yes, relatively small in amount, about $189,000.

Q--So that would have to be added ? A--It was added and some revisions were made.

Q--It would have to be added to the figures that you have given there ? A--It would have to be, yes, $183,049.91. Those were the additions from this date to March 1st, 1916.

THE CHAIRMAN: Q--Well, Mr. Bonthron, if that $4,410,466 valuation made by the Hydro is correct, what was the difference between that amount and the cash value of those bonds handed over by the Government to the Electric Power Commission? A--Approximately $3,112,000.

Q--Then the Government paid $3,312,000 to the company in excess of the Hydro's valuation that you referred to?

A--$3,112,000.

Q--Is that right? A--That is true, yes, sir, on the basis of those figures.

Q--That is on the basis of the cash value?

A--The difference would be $3,757,000 on the basis of the

par value on debentures.

Q--That is, the Government will have to pay at the end of ten years $8,350,000 ? A--Yes, sir.

Q--And the difference between that $8,350,000 and the valuation placed upon this plant by the Hydro at the time was ? A--The depreciated value brought down to March 1st,1916, was $4,593,000.

Q--And that would make a difference of how much do you say ? A--$3,757,000.

Q--Now what do you find in that book that you have there as to the profits or losses made by the Electric Power Company in the three years prior to the time they sold the property to the Government ? A--Well, unfortunately, we have not the figures to March 1st,1916.

Q--What have you? A--Those figures are for the three periods or years ending on March 31st,, 1912-13-14, so that there is a 2-year gap between the date March 31st,1914

Q--A 1-year gap ? A--One year and 11 months. We find that the bond interest, plus a small amount for dividend on the preferred stock of the Otonabee Company together totalled in 1914 $452,600, according to this book. The net earnings of these companies for the year ending March 31st,1914 before providing for interest, bond discount, or sinking fund, and as we understand it, depreciation of the property, amounted to $379,600. So that there was an apparent deficiency in net earnings before providing for the fixed charges above, and meeting the bond interest, of $73,000. That is for the year 1914.

COMMISSIONER R. A. ROSS: That is to say, there was a deficit on operating account, practically, of $72,000 ?

A--If you wish to include interest in the operations, yes, that is true.

Q--I am dividing it roughly into operating costs and fixed

charges ? A--Well, no. The net earnings for the period ending March 31st, 1914, amounted to $379,600, and the bond interest, etc., amounted to $452,600. So that without considering other fixed charges --

COMMISSIONER HANEY: Q--Such as ? A--Bond discount, or bond sinking fund or depreciations, the earnings were insufficient, as shown by this book, by $73,000.

COMMISSIONER R. A. ROSS: Q--Then you might call that a cash deficit, in other words ?

A--An actual cash deficit.

Q--Your cash expenditures exceeded your cash revenues by $73,000 ? A--That is as we understand it, yes sir.

COMMISSIONER HANEY: Q--That is provided they paid the bond interest? A--Yes, and they say they have, that was the statement that was made.

Q--Where would they have got that $73,000, charged out to Capital ? A--It would necessarily have come out of Capital, yes sir.

In 1913 the aggregate earnings, before bond interest or depreciation, are shown as $303,787, and in 1912 they are shown as $171,826.

Q--And what was the bond interest in these years?

A--We assumed it was some lower in 1914, but we do not know the amount.

COMMISSIONER HARRIS: We have some information about 1915 and 1916, they were the next two years.

THE CHAIRMAN : The deficit you have just given us is for the year ending ?

A--March 31st, 1914.

Q--You said you had three years altogether? A--Yes.

Q--What other years have you? A--I read the other two years.

Q--What was the total deficit then for those three years ?

A--That we cannot tell, Mr. Gregory, because we do not know the extent to which depreciation should have been provide nor can we tell how much the cash deficit may have been, or any other, or how much they failed to earn the bond interest, because we do not know the amount of bonds outstanding in 1912 and 1913.

Q--Have you investigated yourself the question as to whether or not the interest was paid on the bonds ?

A--We have no means of inquiring into that, you see.

Q--You haven't been able to get the books? A--No, sir.

COMMISSIONER J. A. ROSS: Those figures you are citing from are not from the books of the company, they are simply extracts taken by the Hydro from the Power Company's books?

A--Yes, and I have mentioned already that if these figures are to be substantiated it will have to be by an officer of the Hydro, as to where he obtained them and how he verified them.

THE CHAIRMAN: Q--What would the statement prepared by the auditors of that company show, its financial position, for those three and prior years ?

A--These auditors, Messrs. Ross & Company of Montreal, would have that statement in their possession.

Q--You think they would have it in their possession?

A--They will have office copies, no doubt.

COMMISSIONER R. A. ROSS: Q--But they would not have an allowance for sinking fund and depreciation? A--No, sir.

COMMISSIONER HARRIS: Q--It would appear, therefore, that the company had a deficit, or a series of deficits, for at least five years previous to the Government taking over the plant ? A--I believe Mr. Strachan Johnston mentioned that the company was still in a construction period which, of course, would justify the use of capital to pay interest charges.

COMMISSIONER HARRIS: It is still in a construction period .

COMMISSIONER R. A. ROSS: Q--But the statement you have put in represents the condition of the company, as represented presumably by the company through the Hydro to the Government ?

A--I do not know, Mr. Ross, what use was made of these figures, nor whether the Government representatives had those figures before them when they were negotiating for the purchase of the company.

Q--You don't know of any other figures ?

A--We have never seen any other figures.

Q--We have a statement, I think, from some of the witnesses that have been here before, that they had no statement on that point. Isn't that so, Mr. Chairman, they had no Profit and Loss statement?

THE CHAIRMAN: Yes, that they didn't get them.

COMMISSIONER R. A. ROSS: Q--So that, presumably, those are the only documents they could have had as reflecting on earnings ? A--Yes, sir, those are the only figures we have seen.

Q--Well, now, you have stated that the losses were so much for the period ending on the 31st October this year?

A--Yes, sir.

Q--Then the losses on some plants must have been met out of profits on the others ? A--Yes, sir, that is true.

Q--Can you give us a list of the plants in which there was a loss and those in which there was a profit, according to the books of the Hydro? A--I can tell you by classes of properties, or classes of operations, that is, by gas works, water works, street railway, and electric power, down to October 31st, 1922, just where profits and losses were made

Q--Give them generally, first? A--Yes. I cannot furnish you with the complete detail down to October 31st, 1922, with reference to different municipalities.

Q--Can you furnish us with complete detail down to October 31st, 1921 ? A--Yes, sir. According to the account of the Central Ontario System, with the results for the year ending October 31st, 1922, not definitely ascertained, but very closely approximated -- we are assuming the results by departments --as follows: In the aggregate, for the period from March 1st, 1916, the gas works showed losses of $108,430.62. The Cobour water works showed a loss of $27,010.14. The Peterboro Radial showed a loss of $130,450.52. The Nipissing System showed a loss of $30,350.34. There was a loss on the sale of the Trenton Waterworks of $2,270.64. For power generation and transmission, you might term it the wholesale power department, cost of developing power and transmitting it wholesale to municipalities and to customers, the accounts show a loss of $374,947.44.

Offsetting these there were profits from the sale of power locally in municipalities $421,085.39.

The pulpmill showed a profit of $41,389.76, and the Trenton Waterworks showed a profit, up to date of sale, of $3,816.57.

The net result being a loss of $207,167.98.

Up to October 31st, 1918, the profits or losses by departments were not as clearly defined nor as definitely determined as they have been since that date.

Adjustments of the costs of power developed and transmitted were not made to a cost basis and, therefore, those figures that I have given you by departments are subject to some slight revision which could not now, of course, be made.

THE CHAIRMAN: Q--You have mentioned the profits from the local distributing plants. Could you give those in detail up to the 31st October last year? A--Yes.

COMMISSIONER R. A. ROSS: Those are accumulated deficits, not for the year ? A--Not for the year. Those are the total figures for the whole period. I am taking those figures on the basis on which the books were kept. These are the aggregate figures to October 31st, 1921. The Belleville distributing system shows a profit of $115,142.77. Brighton local distributing system shows a profit of $2,808.47. Cobourg local distributing system shows a profit of $47,109.93. Lindsay shows a profit of $32,406.83. Newcastle shows a profit of $1,057.07. Orono shows a profit of $1,093.83. Oshawa shows a profit of $79,274.52. Port Hope shows a profit of $12,149.15. Trenton shows a profit of $62,978.31.

Then there have been losses, to October 31st, 1921, At Bowmanville $1,355.45. Desoronto $738.90. Millbrook $320.24. Napanee $4,441.64. Newburg $3,388.13. Tweed $6,992.25, and Peterboro $174.10.

The net income or net profit earned on the operation of this system, in the aggregate, to 31st October, 1921, was $336,610.17, and there was added further an aggregate profit for the year ending October 31st,1922, not yet subdivided by municipalities, amounting to $84,475.22, whichmakes up the total figures I gave you of $421,085.39 to October 31st, 1922.

THE CHAIRMAN: Q--Well, these municipalities that have been operating at a loss have really then been getting power at less than cost on the basis on which the books are kept?. A--Yes, on the basis on which the books are kept but, of course, on the books the power has not been adjusted to a cost basis in charging it to the municipalities at the municipal stations.

Q--On an arbitrary basis ? A--On an arbitrary basis, sir. It was adjusted in 1921 for the first time to a cost basis.

COMMISSIONER R. A. ROSS: Q--Mr. Bonthron, in the first place those are accumulated deficits and credits?

A--Yes, sir.

Q--In the second place, if the power had been charged for at cost then these figures would not have held at all?

A--No, sir.

Q--Supposing you were running a business, and subdivided it into wholesale and retail sales, and you showed a tremendous profit on your retail sales on account of not charging up the actual cost of your wholesale, would that look to you to be a fair subdivision ? A--No, sir.

Q--That is what occurred here, is it not ? A--In part, but in part only, since there has been a considerable amount of the loss in the wholesale department that resulted fromthe sales of power at fixed rates to companies, and to three or four municipalities, including the Municipality of Kingston. The loss in three years, in this period, on those fixed contracts was $169,000, as was stated yesterday, so that there would still have been a profit on the power sold to these municipalities, because there is a profit in the power department, as a whole, of $46,000 to October 31st, 1922, that is, after absorbing losses for over three years alone amounting to $169,000 on the basis of power at cost, under fixed contracts. So that, of course, in the aggregate somewhere the municipalities have been charged for more than cost for power, offsetting, to an extent, deficits from other operations.

Q--So that, if it were possible, and you had a chance to make a re-statement of the whole situation and give the actual facts with regard to those properties as separate

entities, you would change those figures ? A--Yes, sir, that is, if it were possible to change them at this time.

Q--Yes, if it was possible to change them.

COMMISSIONER HARRIS: Those municipalities that have made profits have got no benefit from that at all. That profit that they make is just thrown into the whole pot.

THE CHAIRMAN: I think Mr. Bonthron said it went to meet the losses.

A--It was used to offset losses from other operations.

Q--For instance, Belleville made a good substantial profit but they did not get the advantage of it ?

A--They did not make the profit, the Province made the profit on selling the power to Belleville.

Q--Yes, but the profit was made within the confines of Belleville? A--True enough.

COMMISSIONER R. A. ROSS: Belleville has a fixed contract with the Government.

COMMISSIONER HARRIS: No, they get it on the same basis.

THE CHAIRMAN: The Government owns the local distributing system in Belleville? A--Yes, sir.

COMMISSIONER HARRIS: What I mean is, Belleville does not get that profit they made for the purpose of setting it up in reduction of their operation, and purchasing the plant, they get no advantage of it at all?

A--The Government acquired the franchise that was granted to the Electric Company for the sale locally of power within the municipality of Belleville.

COMMISSIONER R. A. ROSS: Q--Were the rates fixed ?

A--Rates are named in that franchise.

Q--So that the Government is quite within its rights, under its contract, in keeping those profits ?

A--We assume that it is. It is a matter we cannot determine, and I doubt if the engineers can.

MR. IRELAND: In the case of Belleville the only rate is a flat rate.

COMMISSIONER R. A. ROSS: The profits derived from Belleville are profits derived from a contract entered into by two parties before the Hydro took this over ?

A--Yes, sir. For instance, power was sold in Belleville on rates providing for a flat rate of $40 per h.p. per annum, from 1 to 4 horsepower, and a rate of $25 when you got about 20 horsepower. The meter rate provided for a service charge or standby charge of $12 per annum regardless of quantity, and for 1½ cents per h.p. hour on all power consumed, with domestic rates based at 1½ cents plus 3¾ cents per kilowatt hour less a 20 per cent discount, and a minimum charge per month of 50 cents. These were the rates named in the franchise. Now then, in place of that, there has been put into effect, and they are now being charged,- that is true of Oshawa. I do not know but what Belleville may be the same. However, that same situation is true of Oshawa. That was the Oshawa contract, for instance, that they took over. Now the Hydro has entered into a new contract. The lighting is sold at 10 cents a kilowatt hour with a discount of 20 per cent, the rate based on a flat rate of 10 cents a month. (Mr. Bonthron reads rates charged in Oshawa under new contract)

I think Mr. Ireland it was that made the figures. We have got one illustration of that. These rates were compared by Mr. V.B.Coleman, the Local Manager at Port Hope,for the month of March 1917. He shows in dollars how much the total power bill for the month would be under the old billing, and how much it would be under the new billing method installed by the Hydro and they compare as follows:

The old billing, that is, under the franchise, would have amounted in total to $2,076.37. The new billing, under the Hydro contract was $1,819.97, and, therefore, there was a saving to the consumers within the municipality of Port Hope for the month of March of $256.40 under the Hydro contract.

COMMISSIONER HARRIS: Q--That was just for the light users? A--Yes, sir.

Q--Not for power users? A--That is for total users, that is for power, commercial and residential, all rates charged.

Q--Have you got those same comparisons for Belleville ?

A--No, sir, we have only that one month to go on, but we have cases here.

COMMISSIONER R. A. ROSS: That is the month of March.

A--Yes.

MR. IRELAND: I might explain there, Mr. Chairman, to make it clear why that comparison was made for that particular month. When the rates were changed the Port Hope Council became rather apprehensive that the new rates to be charged would cost them more money, and we assured them it would not, and then to make perfectly certain I had the local manager make up this comparison, taking the absolute meter charges for the month under the new rates and comparing them with the old rates, and this was given in Council.

COMMISSIONER HARRIS: Q--Well, now, would Belleville show the same difference ?

MR. IRELAND: It would show more of a difference, Mr. Harris, because the rates in Belleville were reduced more than they were in Port Hope.

Q--The people in Belleville have stated that their rates are much higher now than they were before ?

A--That is entirely incorrect, sir. The Belleville

rat s have not been changed since October, in the period ending October 31st, 1917.

THE CHAIRMAN: Are they the same now as they were then ?

MR. IRELAND: They are the same as they were on the 1st of January, 1917.

COMMISSIONER R. A. ROSS: And you are not charging Belleville then the prices that you would be entitled to charge under the contract that was handed over to you ?

MR. IRELAND: Oh, no, Mr. Ross. The contract that was handed over to us was for a flat rate of 1 cent per 16 c.p. lamp per night.

MR. BONTHRON: That is why I made the statement that we could not tell you what the rate would have been. We do not know how many 16 c.p. lamps are now in use in Belleville.

COMMISSIONER R. A. ROSS: And in the case of some individual or individuals there are certain old contracts, some of them running back for a great period of years, made on all sorts of rates. Many of them were very much below standard rates.

COMMISSIONER HARRIS; That is one of the grievances they seem to have. I think the statement was made, as I remember, that the lighting rates had been lowered but that the power rates had gone up.

COMMISSIONER HANEY: Mr. Ireland, could you give us a list of all the motors that are used on your System ?

MR. IRELAND: No, sir, I could not.

COMMISSIONER HANEY: You have not got that ?

MR. IRELAND: No.

COMMISSIONER HANEY: I suppose it could be produced ?

A--It could, but it would mean a great deal of work. It would mean going into all our customers factories and obtaining a list of the motors they have. Now, this power

is mostly sold on the basis of maximum demand, so that the actual connected load isn't a matter of so great importance as it used to be. Secondly, we do not keep any record of the motors customers have.

COMMISSIONER HANEY: It may be important to this Commission before we are through with Central Ontario.

THE CHAIRMAN: Mr. Bonthron, you spoke just now of the charge that had been made for power ? A--Yes, sir.

Q--In the case of those that show profit and those that show losses you applied the same system in making them up?

A--Yes, sir.

Q--So that if there is a loss in one there is a profit in the other, they are both made up on the same basis?

A--Oh, yes, the same basis.

THE CHAIRMAN: Mr. Ireland, is there anything you would like to say about those matters Mr. Bonthron has spoken of ?

MR. IRELAND: No, I don't think there is anything I want to say, Mr. Gregory.

THE CHAIRMAN: Now, Mr. Jeffery, you were going to look up those estimates.

MR. JEFFERY: They told us Mr. Gaby had left for here when they sent for me. I have been expecting him in any minute.

THE CHAIRMAN: I think you were going to show us how that $345,000 estimate was made up?

MR. JEFFERY: Yes. The appropriation for the Nipissing System was prepared and forwarded on May 25th,1922, for the 1923 expenditure, quite a long period ahead. It was passed at that time on estimates which had already been made, and which were made on the peak of prices. Before going on with the work we made new estimates whichtotal $189,537.

THE CHAIRMAN: What are those estimates of $345,000, how are they made up ?

MR. JEFFERY: I was just going to explain that.

THE CHAIRMAN: Go about it in your own way.

MR. JEFFERY: The estimate of $345,000 was made up, as sent in here $350,000, Bingham Chute development. It states "This System has not sufficient power available for supplying North Bay and vicinity and this development is warranted". The total given for that is $300,000. Then "Miscellaneous stations and lines with extension to Callendar Station, etc. $50,000."

Q--That would be an extension from where, Bingham Chute ?

A--Well, there would be the extension to Callendar Station, and the extension to certain other stations and lines which we had in mind on the Nipissing System. North Bay was included in that, increasing the capacity of that station. Now, as I said, this appropriation was asked for on May 25th, 1922 , on the basis of estimates which had been prepared at the peak of prices.

Q--You say it was asked for, from whom ?

A--From the Government. That nomenclature "Bingham Chute Development" I think is somewhat in error. I have talked to Mr. Gaby about that on the phone, and he says that not only includes Bingham Chute but it also included expenditures which it was proposed to make in the other hydraulic plant, that is, the Provincial plant, to increase the capacity of that, to the extent that that would be possible in 1923, or would be carried on, and the difference between the estimates which we have now and that figure is explained by the extensions to our present hydraulic plant being included in that, and being put in under the same nomenclature, which is somewhat in error, and also in the drop in prices between the time the appropriation was asked for in May 1922, and the time our estimates were prepared.

Q--Meaning when ? A--Those estimates were prepared in August of 1922.

Q--There would not be much change between May and August?

A--There would be some.

Q--Were the amended estimates sent in to the Government ?

A--The amended estimates were not sent in. Of course, we would not get the $350,000, in fact we never got it.

Q--Should not the Province have an amended estimate ?

A--They do get them.

Q--Oh, yes, but the estimate that you are basing your request on is apparently, from what you say, an over-estimate ?

A--In this case, yes, and it had to be made over a year in advance.

Q--But when it was found it was an over-estimate, shouldn't corrected estimates have been sent in to replace the earlier one? A--Mr. Pierdon can probably answer that.

MR. PIERDON: This will be amended by a further supplementary estimate. That estimate of $350,000 for the Nipissing was prepared in the spring of 1922, $300,000. which was for the Bingham Chute.

Q--That was voted by the Legislature ? A--Yes. Probably Mr. Gaby can explain it more fully than I can.

Q--Of course, the Legislature had only the information which you give them before them when they are making appropriations? A--Yes, up to the present time.

Q--You state you require for Bingham Chute that amount?

A--Three estimates are submitted to the Province usually, prepared by the Chief Engineer.

Q--What is the difference between the estimate of August and the estimate of May ?

MR. JEFFERY: The total here is $189,537. That is Bingham Chute alone, but, as I said, it appears to be a misnomer in calling it Bingham Chute. That should include other work.

Q--Yes, but if I were a member of the Legislature and

were reading that and asked to vote on it, I would only have the information which you have given me, and conclude it was just what it said it was ? A--Yes.

COMMISSIONER R. A. ROSS: Q--I understand, Mr. Jeffery, that in order to handle the situation you were swapping machinery? A--Yes.

Q--As between the two plants ? A--Yes.

COMMISSIONER R. A. ROSS: It would be difficult to explain that in any estimate of yours, in any reasonable way, I should think.

THE CHAIRMAN: This was an estimate of the amount of money they desired the Government to pay over to them, and the Legislature voted that $345,000 in actual cash without making any allowance for machinery.

COMMISSIONER R. A. ROSS: Yes, but they were taking machinery from the old plant and putting it into the new.

THE CHAIRMAN: Well, then, they asked for so much money.

COMMISSIONER R. A. ROSS: I presume it was taken into it.

THE CHAIRMAN: I think that was the actual cash they required the Legislature to give in addition to the old machinery.

COMMISSIONER R. A. ROSS: I am talking about the Bingham Chute total that is put in that document. Could they have explained their methods in a document of that kind when they were, as a matter of fact, supplying machinery from one plant to another.

THE CHAIRMAN: I am just saying they asked the Legislature to vote them $345,000 cash which they wished to use in addition to anything which they might have. Now, they find they do not need so much.

MR. JEFFERY: I would not say we do not need it, but we won't use it for that particular development misnamed here Bingham Chute.

THE CHAIRMAN: It does seem to me that where you are

asking the Legislature to vote you money they should have full information and full particulars as to how that money is going to be used.

MR. JEFFERY: I believe Mr. Pierdon probably can explain it better than I can, but I believe the Commission give the Government such information and such detail as they ask for. They do not want all of the details that we would have in those estimates, but they can get as much detail as they wish at any time.

COMMISSIONER HANEY: If you take your old plant from another system you would have to provide money to pay the other system? A--If we took it from another system, but this is from the same system. It is transferring it from one generating plant to the other.

Q--So that you would not need any money to pay for this secondhand plant ? A--No, no new money.

COMMISSIONER R. A. ROSS: We have been criticizing you for under-estimating before, and I am glad to see you are over-estimating now.

COMMISSIONER HARRIS: Why?

COMMISSIONER R. A. ROSS: To even it up.

MR. JEFFERY: Well, of course, you have tobear in mind that we do not get this money until we spend it, and the money that we do not spend out of this appropriation goes by the Board, and it is all included in a new estimate which will be put in next year.

THE CHAIRMAN: Q--But the Legislature has voted that on the strength of that statement ? A--Yes.

Q--And it really should not have voted as much as that for that particular purpose? A--They really should not, sticking right with the strict word.

Q--But there has been criticism, you know, of the Legislature making appropriations for one purpose and they being used for another, and we understand that when

the Legislature made an appropriation they made it specifically for a particular work, and they did it in that case, but they were furnished with an estimate which, on that basis, was distinctly higher than it should have been.

COMMISSIONER HANEY: Can you tell the exact amount of money that was expended for power development separated from transmission lines?

A--In this development ?

Q--Yes? A--Well, we have our estimates split up, that is, we have the details of the $187,000,dam, forebay, pipe line, power house, super-structure and hydraulic equipment as compared to cost $123,000. Superstructure for two generating units. It is here in considerable detail, including heating, lighting and plumbing, the generator, the switching equipment, the protective equipment, well, that is in general what it covers, $66,537.70.

Q--So that the $189,000 does not include any transmission line at all ? A--No, only that was included in the other here, miscellaneous stations and lines $50,000.

Q--Can you tell the amount that you have charged now to your generating station corresponding to the $189,000 ?

A--Well, there is very little of this spent yet.

Q--No, no, I am not speaking of that, but prior to this expenditure ? A--We could get that. I don't know what it is offhand.

Q--What I really want to get is the cost per horsepower at the point of development ? A--I haven't got that figure here.

Q--That is, when you have your 3500 h.p. developed with this expenditure, you can get that ? A--We can get that.

THE CHAIRMAN. Q--Mr. Jeffery, who signs those estimates that are submitted to the Government ?

A--Mr. Gaby forwards these through the Commission to Col. Carmichael, he signs them.

Q--Mr. Gaby signs them, they don't go forward from the

Commission? A--They go forward, I believe, under their instructions.

Q--Under the Commission's instructions? A--Yes.

Q--And would they be dealt with in the Minutes of the Commission ?

MR. PIERDON: Yes, sir.

MR. JEFFERY: That is a matter Mr. Pierdon knows more about than I do, that is, the details of getting money.

THE CHAIRMAN: Q--So it would be submitted by Mr.Gaby, would it, to Col. Carmichael? A--Yes, sir.

Q--And then the Commission would pass on it and send forward a request to the Government for that amount ?

A--We usually send it to Col. Carmichael.

Q--With accompanying letter? A--There is a letter to Col. Carmichael.

Q--Would that be the only communication that passes between the Commission and the Government upon that estimate?

MR. PIERDON: I would not like to say. It may also have been sent to the Premier, a copy of it.

THE CHAIRMAN: Would you find that out, Mr. Pierdon?

A--Yes, sir.

THE CHAIRMAN: Could you let us know today, let Mr.Bower know today and send him a copy of any other communication ?

MR. PIERDON: Yes.

THE CHAIRMAN: How does that communication read, Mr. Jeffery ?

MR. JEFFERY: "Re estimate 1923. I am herewith enclosing two copies of summary and estimates in full for the fiscal year, November 1st,1922, to October 31st,1923, which were duly taken up at the meeting of the Commissioners this morning and approved. These expenditures are, as near as can be estimated at the present time, for the work which the Commission expects to have in hand till 1923.

Yours truly,

F.A.Gaby,Ch.Engineer."

Q--It does not refer to the undertaking at all, it does not refer to the work at Nipissing? A--Well, it is more than that, the heading of it is "Estimates of Capital Expenditures". That is the total, you see.

Q--But that is the total for the whole Province ?

A--This is the Niagara System and all the different Systems.

Q--And how does the item for this Nipissing System read in that statement ? A--Heading, "Nipissing System $350,000, No. 1 Bingham Chute Development $300,000. This System has not sufficient power available for supplying North Bay and vicinity and this development is warranted. No. 2, Miscellaneous Stations and Lines, $50,000, and Extensions under that, Extension to Callendar Station,etc., total $350,000."

COMMISSIONER HANEY: Q--You did not correct that in any communication to the Government after you had determined that the amount asked for was escessive ?

A--Not that I know of.

COMMISSIONER R. A. ROSS: At the time you made that estimate had you made borings, and all that sort of thing, in connection with that development?

MR. IRELAND: No. At the time that estimate was made there was just a preliminary reconnaissance made. I believe that that $300,000 was intended to cover the necessary changes in the Nipissing plant as well.

THE CHAIRMAN: That is the plant you are at present operating ?

MR. IRELAND: Because one of these generators was going into the Bingham Chute development, in fact two, and the $350,000 really covers all changes in the old Nipissing plant as well as the building of the new Bingham Chute plant.

THE CHAIRMAN: Why wasn't it indicated in that ?

MR. IRELAND: I don't know. That is a matter for the Chief

Engineer to say, but that would be my understanding of it.

Q--Wouldn't he have details upon which he would arrive at that $300,000 ? A--Yes.

Q--On what would that estimate of $300,000 for Bingham Chute be based? A--That would be based on the estimate for Bingham Chute which was, I believe, at that time, a little larger --

Q--Larger than $300,000 ? A--No, no, larger than $189,000, and the necessary changes in the Nipissing plant.

Q--Who signed that estimate ? A--Well, they are gotten out by the different Departments, the Electric Department, the Hydraulic Department. Each cover their own work, and those estimates were submitted to the Chief.

Q--Are they signed estimates submitted to him by the Departments ? A--Yes.

Q--Have you got them here ?

MR. JEFFERY: No, they will be on file.

MR. IRELAND: You see that is signed by Mr. Brandon, and this one here is signed by Mr. Ackers, covering separate parts of the Bingham Chute development.

THE CHAIRMAN: Q--What is that one signed by Mr.Ackers?

A--That is the $123,000 for the hydraulic end of the Bingham Chute development, and the one signed by Mr. Brandon is for $66,000 covering his end of it. There should be a still further estimate covering the changes.

Q--What I am speaking of was the one that was sent in to the Government. Where are the details showing how that was arrived at ? A--The details of that will be available in the files.

COMMISSIONER R. A. ROSS: So that you will have an additional amount to that $189,000 which you will have to send in to the Government as a work order to make your changes in Nipissing ? A--Yes.

Q--Which will add to that ? A--Yes.

THE CHAIRMAN: Q--How do you account for it, if you had estimates for improvement on the old plant, that they were not included, or stated in your evidence ?

A--It is rather a complicated situation there, because the two developments are more or less tied together. The cost of the generators is already in the capital cost of the system. Those were to come out and go in the Bingham Chute development and, therefore, would not be new capital. No capital would have to be provided for the new generators for the Nipissing plant, so that it might have been given a little more fully there.

Q--Are these estimates signed by the different officials ?

MR. JEFFERY: They will be, I expect.

THE CHAIRMAN: Were they signed at the time that $300,000 estimate was sent in ? A--I expect so, I will look it up.

Q--You will look it up, Mr. Jeffery, and let us have it today? A--Yes.

Q--What about Chaudiere, have you got those? A--Yes. I brought Mr. Hogg up. He has all the details, and he can explain that a great deal better than I can.

THE CHAIRMAN: How long will it take, Mr. Hogg? It is just about one o'clock now and we were not going to meet this afternoon.

MR. HOGG: Fifteen minutes, I should think, Mr.Chairman.

THE CHAIRMAN: The Mayor of North Bay came here yesterday and urged upon us, from the standpoint of North Bay, that we should recommend a development at Chaudiere, and he said, and we were told, I think by Mr. James, that an estimate had been made of the cost of development there. Have you made such an estimate? A--Yes. There are three possible sites on the ~~Trent~~ Ottawa River. There is a total fall of approximately 60 feet from Lake Nipissing to Georgian Bay, and

that is covered in three possible developments. The use of those developments, or at least the concentrations of head will, of course, have to follow the plans of the Department of Railways and Canals in Ottawa based on navigation conditions. They have estimated three locks, one at Chaudiere, one at Five Mile Rapids, and one at the Dalles, which is the closest to Georgian Bay. The situation there is rather complicated. The most economical development is that at the Chaudiere. At present, there is an available head there of about 28 feet, since Lake Nipissing now is being operated at about 6 feet lower head than what it will be ultimately when navigation requirements are taken care of --

Q--Did you estimate that 6 feet in the 60 feet you mentioned ? A--Yes.

Q--So about half of it is at Chaudiere? A--About half of it is at Chaudiere. Now, from 28 to 32 feet would be the available head at Chaudiere under present conditions, that is, with the present water conditions. The water level at the tail water of that development at present would be around an elevation of 6.14, while the head water today could be carried at 6.42, giving an available head of 28 feet which, at a later date, would be raised to 32 feet, when the water level of Lake Nipissing was raised, when the navigation requirements are taken care of in that river and the dam is installed at Five Mile Rapids, to drain out Five Mile Rapids, the tail water of the Chaudiere plant will be raised 10 feet, from elevation 6.14 to elevation 6.24. It will take off 10 feet of head from the upper development. It will be necessary to develop the five mile development and 22 to 24 feet of head would be available there, Sp that, in those two developments, there is a combined head of from 44 to 48 feet which, if developed separately, by first developing Chaudiere, you would obtain from 28 to 32 feet in the one development. So that the

Chaudiere is a very good development, it is a logical place to start, on account of the higher head obtainable on the first development.

Our idea in the development is to use the present dam, to build a canal and tail race along the proposed lock of the Georgian Bay Canal. The development would have, of course, to be in accordance with navigation requirements at a later date. The design would have to be approved by the Department of Railways and Canals. With that in view, you would have to build a plant, put in turbines and generators to use the available power from that 30 foot head development, which, at a later date, would be changed to 22-24 feet.

We paid a good deal of attention to that phase of it, and we decided it would be possible to put in turbines operating at a 30-foot head and delivering 3000 h.p., four 3000 h.p. units delivering a total of 12,000 h.p. under the 30-foot head. At a later date, when the Five Mile Dam was installed the tail water would be raised 10 feet which would take off 10 feet from the upper development, and would be necessary to change the units.

THE CHAIRMAN: What would you substitute ?

A--We would retain the same generators, that is, retain the same speed of the unit. It would mean no change in the generating unit, but the substituting of water wheels which would run at the same speed, but generating only 2500 h.p. instead of the original 3000. We took that up with the turbine manufacturers and they agreed that it was quite possible to do that.

COMMISSIONER R. A. ROSS: Change the runner only ?

A--Yes, and preserve the same generator and the same speed. The final h.p. would be 10,000, the original h.p. 12,000.

These estimates were first prepared back in 1916 or 1918, and they were revised again in 1921. You have the same

units and the same power. Today, a little over a year since that estimate was prepared, conditions have changed very materially so far as water wheels are concerned, and if we were preparing that estimate today we would use an entirely different unit. We would use a water wheel with a much higher speed. The speed used on those machines was around 80. It is possible, on account of the development of the art, to use water wheels which would give us a speed of 150, under the same conditions, and use 3 units instead of 4, which will very materially cut the cost of the development, so that the estimates which are given here, I believe, do not represent the conditions as they exist today atall.

THE CHAIRMAN: Q--They might be changed very much between now and the time you built it? A--Very materially.

Q--If you had put in this original water wheel you would have had to take it out ? A--Not necessarily. We would have installed those to use with four generators at an 80 R.P.M. speed, where today we would use three generators at a 150 R.P.M. speed, a greater capacity.

Q--The change in the wheels shows how quickly anything in connection with electrical development may change?

A--That is a particular instance, on account of the low head. This wheel has been very very recently perfected. Investigation has been going on for some years, but it is only within the last 9 months that it has been put in shape so that engineers would be warranted in advocating us using it. This same type of wheel is being used by the Winnipeg River Power Company at their new plant on the Winnipeg River.

COMMISSIONER R. A. ROSS: Q--An equivalent type ?

A--A very similar type.

THE CHAIRMAN: Q--But there is vast progress in all branches ? A--I think there will be development along that same line for perhaps a few years, but we are nearly

the end again of that type of improvement.

COMMISSIONER HANEY: What is the total cost ?

A--I have got here the estimates on that development. I am only prepared, of course, to speak to the hydraulic end of the estimates. The electrical end is prepared by Mr. Brandon, and I am not conversant with it. I have the figures here. I am not prepared to say how much, under present conditions, that estimate of his might be cut down.

THE CHAIRMAN; Q-- Was his made at the same time your last estimates were made ?

A--Yes, they were both made at the same time. In the estimate for Chaudiere, this includes also an estimate on the Five Mile, because the estimate covered a request for 20,000 h.p., which could not be obtained at the Chaudiere alon It necessitated the development of the Five Mile.

COMMISSIONER R. A. ROSS: Q--What would the Five Mile give you in addition to the 10,000 ?

A--The two together, that is, the Chaudiere will give you 12,000 electrical horsepower by itself. The two together would give around 18,000.

Q--That is 8000 for the Five Mile and 10,000 for the other ? A--Yes. Now, in the Chaudiere development, by itself, a very big element, or considerable of an element was the 57,000 yards of rock excavation. At the time this estimate was prepared, August 26th, 1920, we had the figures available for the Niagara development, and we were operating right at the peak of costs. This estimate was made in the light of that fact. You will notice that, for rock excavation, 57,000 yards, we have estimated at $6 a yard. I think today that that reasonably could be cut right in two, down to at least $3 a yard, perhaps less than that, $2.50 would be a fair estimate perhaps today for rock, and the balance of the work is very

much the same, reinforced concrete at $37 a yard.

Q--What could you put that in at now ? A--Well, today at the Niagara intake the contract price of that concrete was around $5 a yard, we furnishing the material, at a cost of, I should say, about $8 a yard for that concrete --

COMMISSIONER HANEY: Q--Do they make any money at the intake ?

A--I would not care to say.

Q--How many yards of concrere were there ?

A--17,500, about 25,000 yards of concrete in all. I should say a fair estimate price today for mass concrete in that locality would be around about $12 a yard, and for reinforced concrete $20 a yard. Now, the figures that we used here were $25 for mass concrete and $37 for reinforced concrete, so that these figures are, undoubtedly, very much higher than would be used today for estimating purposes.

Q--How much reinforced concrete had you ? A--6500 yards. The turbines we have estimated at $15 a horsepower. I believe today the total cost of generators and turbines is less than $15 at Winnipeg, around about $12 or $13, so that that figure is undoubtedly high. They are bigger units, of course.

Q--How much will that amount to in total ?

A--12,800 horsepower.

Q--120,000 horsepower ? A--Yes, we have got 192,000 horsepower.

Q--Generators ? A--The generators, I am not prepared to say. I can give you the figure, but I am not prepared to say how much they can be out today.

THE CHAIRMAN: Q--You are speaking of your figures ?

A--The total estimated cost of the hydraulic construction was $2,103,000.

COMMISSIONER HANEY: Q--How much did you put in there

for the generators or the electric equipment ?

A--The total cost of the generating station was $1,217,000.

THE CHAIRMAN: Q--Did those two comprise it all?

A--Those two comprise the Chaudiere development.

Q--And what reduction would you make in those now ?

A--Well, without going over those carefully, I would say that they would be cut in two.

Q--That would make it about $1,050,000 ? A--Yes.

COMMISSIONER HANEY: You could not do it for that.

A--You see there are engineering contingencies 20 per cent in that. I think legitimately that estimate could be cut approximately in half.

Q--You could not do it, that is, if your estimate of $2,100,000 -- you could not do it for less than a million and a half, accordingto the latest figures you have given us ? A--It would certainly mean a very considerable reduction because, as I say, this estimate was made in the latter part of 1920, in the light of the high cost of everything at that time.

COMMISSIONER J. A. ROSS: Q--Why did you get that estimate out ? A--I am not just sure. I think it was in connection with the delivery of 20,000 h.p. for the municipality of Sudbury. I believe it was in connection with a request that was made for power for one of the nickle industries.

Under the conditions existing there transportation is very easy. Material could be laid at North Bay and taken across by scow, and landed right on the site of the development, no difficulty about building a railway siding or anything of that nature. With the conditions existing there today I believe that development could be installed, and the generating station and equipment ready to deliver low voltage power for from$125 to $130 a horsepower.

COMMISSIONER R. A. ROSS: Do your hydraulic estimates

include the wheel ? A--Yes.

THE CHAIRMAN: Q--You are giving that on the 12,000 horsepower ? A--Yes.

COMMISSIONER R. A. ROSS: Q--And in your hydraulic development you have changed your wheels from 4 to 3, thus securing higher speed, and your power house construction cost comes down in proportion ? A--Yes. That means that the capital cost per h.p. will go up once the Five Mile is developed. The economics of the development change entirely once you develop the Five Mile. The economic condition there today is different. It will cost nearly as much to build the Five Mile development as it will to build the Chaudiere, and you only get an additional 6000 h.p.

COMMISSIONER J. A. ROSS: There is nothing definite up there now for this capacity, is there? A--I think the North Bay load runs somewhere around 1300 or 1400 .

THE CHAIRMAN: Sixteen hundred. A--And we have got an installed capacity of about 2000 horsepower there now which will be later changed to around 3500 horsepower. That will be the ultimate capacity of the Nipissing station with about 1200 h.p. at Bingham Chute, 3600. There is a total capacity on the Nipissing of around 6000 h.p. if all plants were developed and with additional storage development.

Q--The question of ice came up yesterday, and we were told that ice freezes there sometimes to the bottom of the dam?

A--Where ?

Q-- At Bingham Chute?

COMMISSIONER HANEY: That is in the storage.

A--We have been operating the Nipissing plant -- I don't know where that information came from, but the Nipissing plant has been operating for the last ten years, and delivering to capacity right along, and there has been no trouble so far as ice is concerned.

THE CHAIRMAN: Q-- Delivering to the full capacity?

A--Yes.

COMMISSIONER R. A. ROSS: I think what was said was, your storage is so shallow that it would freeze in the winter-time and you would not get it down?

A--We have installed on that river, five or six storage dams, two years ago when the load began to get too great for the capacity of the plant. We could not deliver power from the station and, at that time, we had to provide storage, and we have succeeded in getting the water down. It is a matter of operation. You cannot vary the amount of water during the winter. If you vary it from day to day you are going to be in trouble because it simply spills out over the ice and freezes, but if you keep the same amount coming down there will be no trouble about ice conditions.

Q--So the total of those two figures, as I have got them here, is about $3,200,000 ? A--Chaudiere generating station, summary of equipment $1,217,000. Chaudiere Hydraulic $2,103,600.

THE CHAIRMAN: Q--Is there anything more, Mr. Hogg?

A--I think that is all. These estimates are available if required. These remarks are made in the light of qualifying the estimate there, because I do not believe the estimate means anything today.

COMMISSIONER HANEY: Q --Your judgment today is about $135 a horsepower at Chaudiere? A--Yes, for low voltage power.

COMMISSIONER HANEY: That would run the cost over $1,800,000.

THE CHAIRMAN: We will adjourn now until 10.30 tomorrow morning.

(The Commission adjourned at 1.25 p.m., Wednesday, 29th November, 1922, till 10.30 a.m. Thursday, 30th November, 1922)

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A--I think that is all. These estimates are available if required. Those figures are made in the light of quality-ing the estimate there, because I do not believe the estimate means anything today.

COMMISSIONER HANKY: Q--Your investment today is about $125 a horsepower at Chaudiere? A--Yes, for low voltage power.

COMMISSIONER HANKY: That would run the cost over $1,000,000.

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